FORMULATION OF THE 1990 FARM BILL
(WHEAT, SOYBEANS, AND FEED GRAINS PROGRAMS)

HEARINGS

BEFORE THE

SUBCOMMITTEE ON
WHEAT, SOYBEANS, AND FEED GRAINS

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

AUGUST 8, 1989, LOGANSPORT, IN
AUGUST 8, 1989, COLUMBIA CITY, IN
AUGUST 28, 1989, PUEBLO, CO
AUGUST 29, 1989, PENDLETON, OR
AUGUST 30, 1989, BILLINGS, MT

Serial No. 101-30
PART 5

Printed for the use of the Committee on Agriculture

U.S. GOVERNMENT PRINTING OFFICE
27-624 WASHINGTON : 1990

H161-34

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

COMMITTEE ON AGRICULTURE

E (KIKA) DE LA GARZA, Texas, *Chairman*

WALTER B. JONES, North Carolina
GEORGE E. BROWN, JR., California
CHARLES ROSE, North Carolina
GLENN ENGLISH, Oklahoma
LEON E. PANETTA, California
JERRY HUCKABY, Louisiana
DAN GLICKMAN, Kansas
CHARLES W. STENHOLM, Texas
HAROLD L. VOLKMER, Missouri
CHARLES HATCHER, Georgia
ROBIN TALLON, South Carolina
HARLEY O. STAGGERS, JR., West Virginia
JIM OLIN, Virginia
TIMOTHY J. PENNY, Minnesota
RICHARD H. STALLINGS, Idaho
DAVID R. NAGLE, Iowa
JIM JONTZ, Indiana
TIM JOHNSON, South Dakota
CLAUDE HARRIS, Alabama
BEN NIGHTHORSE CAMPBELL, Colorado
MIKE ESPY, Mississippi
BILL SARPALIUS, Texas
JILL L. LONG, Indiana
GARY CONDIT, California
ROY DYSON, Maryland
H. MARTIN LANCASTER, North Carolina

EDWARD R. MADIGAN, Illinois,
Ranking Minority Member
E. THOMAS COLEMAN, Missouri
RON MARLENEE, Montana
LARRY J. HOPKINS, Kentucky
ARLAN STANGELAND, Minnesota
PAT ROBERTS, Kansas
BILL EMERSON, Missouri
SID MORRISON, Washington
STEVE GUNDERSON, Wisconsin
TOM LEWIS, Florida
ROBERT F. (BOB) SMITH, Oregon
LARRY COMBEST, Texas
BILL SCHUETTE, Michigan
FRED GRANDY, Iowa
WALLY HERGER, California
CLYDE C. HOLLOWAY, Louisiana
JAMES T. WALSH, New York
BILL GRANT, Florida

PROFESSIONAL STAFF

DIANNE POWELL, *Staff Director*
VERNIE HUBERT, *Legislative Director*
DANIEL E. BRINZA, *Chief Counsel*
CHARLES HILTY, *Minority Staff Director*
JAMES A. DAVIS, *Press Secretary*

SUBCOMMITTEE ON WHEAT, SOYBEANS, AND FEED GRAINS

DAN GLICKMAN, Kansas, *Chairman*

TIM JOHNSON, South Dakota
GLENN ENGLISH, Oklahoma
HAROLD L. VOLKMER, Missouri
TIMOTHY J. PENNY, Minnesota
DAVID R. NAGLE, Iowa
BILL SARPALIUS, Texas
JIM JONTZ, Indiana
BEN NIGHTHORSE CAMPBELL, Colorado
ROY DYSON, Maryland
JILL L. LONG, Indiana

RON MARLENEE, Montana
ARLAN STANGELAND, Minnesota
PAT ROBERTS, Kansas
BILL EMERSON, Missouri
ROBERT F. (BOB) SMITH, Oregon
BILL SCHUETTE, Michigan
FRED GRANDY, Iowa

CONTENTS

AUGUST 8, 1989, LOGANSPORT, IN

Page

Glickman, Hon. Dan, a Representative in Congress from the State of Kansas, opening statement ... 1
Jontz, Hon. Jim, a Representative in Congress from the State of Indiana, opening statement ... 2
Long, Hon. Jill L., a Representative in Congress from the State of Indiana, opening statement ... 4

WITNESSES

Boys, Larry V., president, fifth district, Indiana Farm Bureau, Inc ... 26
  Prepared statement ... 88
Eppley, Dean, vice president, Indiana Corn Growers Association ... 39
  Prepared statement ... 107
Erb, Larry F., vice president, Indiana National Farmers Organization ... 31
  Prepared statement ... 97
Fear, Charles R., district 1 committee member, Indiana Farmers Union ... 28
  Prepared statement ... 91
Hacker, Michael A., field production manager, Weaver Popcorn Co., Inc ... 18
  Prepared statement ... 74
Johnson, Joseph A., general manager, Erny's Fertilizer Service, Inc ... 24
Johnson, Roy M., product manager, Edward J. Funk & Sons, Inc., Super Crost Seeds ... 21
  Prepared statement ... 85
Kirkpatrick, Bryan D., producer, Greentown, IN ... 45
  Prepared statement ... 120
Kuk, David D., eastern region manager, Indiana grain division, Indiana Farm Bureau Cooperative Association, Inc ... 20
  Prepared statement ... 82
Leuck, Claire M., State representative, 25th district, Indiana General Assembly ... 10
  Prepared statement ... 67
O'Bannon, Frank, Lieutenant Governor and commissioner of agriculture, State of Indiana, presented by David L. Miers, deputy commissioner of agriculture ... 5
  Prepared statement ... 50
Pilotte, Norbert D., president, Indiana Soybean Association ... 41
  Prepared statement ... 112
Plank, Albert Dwight, director, State executive committeeman, Indiana State Grange ... 34
  Prepared statement ... 105
Smith, Dale S., district director, Indiana Corn Growers Association ... 43
  Prepared statement ... 116
Thompson, Robert L., dean of agriculture, Purdue University ... 7
  Prepared statement ... 53
Wolf, Katie L., State senator, senate agriculture committee, Indiana General Assembly ... 12
  Prepared statement ... 72
Yantis, Ben O., president, Yantis Implement & Yantis Farms, Inc ... 23

SUBMITTED MATERIAL

Davisson, Deloris Jungert, member, Northern Indiana Farm Task Force, Inc., statement ... 125

Page

Farrell, Dennis, producer, Goodland, IN, statement 127
Newman, Marie, member, Northern Indiana Farm Task Force, Inc., statement 129

AUGUST 8, 1989, COLUMBIA CITY, IN

Glickman, Hon. Dan, a Representative in Congress from the State of Kansas, opening statement 139
Jontz, Hon. Jim, a Representative in Congress from the State of Indiana, opening statement 140
Long, Hon. Jill L., a Representative in Congress from the State of Indiana, opening statement 140

WITNESSES

Basting, William D., member, board of directors, Indiana Farmers Union, accompanied by Charlie Nash, president and executive director, Ohio Farmers Union 152
  Prepared statement 203
Caravetta, John, extension agent, agriculture, Purdue Cooperative Extension Service 143
  Prepared statement 185
Egolf, Mel A., delegate, Milk Marketing, Inc 170
  Prepared statement 216
Hadley, Roger W., II, Indiana Soybean Growers Association 168
  Prepared statement 210
Haffner, Jacqueline S., member of the board, Indiana Rural Organizing Project, Citizens Action Coalition 144
  Prepared statement 187
Hibschman, Joe A., member, Indiana State Grange 151
  Prepared statement 200
Kipfer, Ken, president, Riverside Warehouse, Inc 177
  Prepared statement 225
Lash, Louis E., president, Noble County Farm Bureau, on behalf of the Indiana Farm Bureau, Inc 147
  Prepared statement 194
Lozier, Robert D., member, board of directors, Associated Milk Producers, Inc 169
  Prepared statement 214
Marine, C. Lockwood, senior vice president, commodities, Central Soya Co., Inc 175
  Prepared statement 218
Nidlinger, John D., district director, Indiana Corn Growers Association 166
  Prepared statement 206
Scher, Gregory A., spokesman, agricultural advisory committee, Fourth Congressional District of Indiana 141
  Prepared statement 183
Shupe, Vernon E., manager, Farmers Elevator Co 176
  Prepared statement 223
Trier, Walter A., member, National Farmers Organization 148
  Prepared statement 197

SUBMITTED MATERIAL

Bradley, Francis, farmer, Indiana Rural Organizing Project, statement 241
Foster, Chris, farmer, Indiana Citizen Action Coalition and National Family Farm Coalition, statement 244
Jackson, Larry E., commercial chair, Huntington County Rabbit Breeders Association, statement 252

AUGUST 28, 1989, PUEBLO, CO

Campbell, Hon. Ben Nighthorse, a Representative in Congress from the State of Colorado, opening statement 256
  Prepared statement 258
Glickman, Hon. Dan, a Representative in Congress from the State of Kansas, opening statement 255

Page

Marlenee, Hon. Ron, a Representative in Congress from the State of Montana, opening statement 260

Witnesses

Brown, Corwin A., president, Colorado Cattleman's Association 284
Prepared statement 359
Chapman, Mary Lou, member, National Agricultural Research and Extension Users Advisory Board 266
Prepared statement 317
Davies, Jeanne B., master, Colorado State Grange 297
Prepared statement 392
Hefley, J. Malcolm, president, Colorado Corn Growers Association 273
Prepared statement 343
Hickert, Jay, president, Colorado Cattle Feeders Association 286
Prepared statement 366
Horn, Steven W., Colorado Commissioner of Agriculture 261
Prepared statement 313
Jones, Corky P., representative, Farm Aid 299
Jones, Marsha A., national wheat chairperson, Women Involved in Farm Economics 293
Prepared statement 382
Kittel, Dean R., executive vice president, Colorado Farm Bureau 295
Prepared statement 387
Pelton, James K., president, Colorado Association of Wheat Growers 270
Prepared statement 338
Stencel, John, III, president, Rocky Mountain Farmers Union 289
Prepared statement 369

Submitted Material

Barker, Sam, director, Wichita District Farm Credit Council, statement 395
Craig, Darrell, president, Colorado Grain and Feed Association, statement 402
Hillman, Freddie, president, Colorado American Agriculture Movement, Inc., statement 404

August 29, 1989, Pendleton, OR

Glickman, Hon. Dan, a Representative in Congress from the State of Kansas, opening statement 409
Jontz, Hon. Jim, a Representative in Congress from the State of Indiana, remarks of 459
Marlenee, Hon. Ron, a Representative in Congress from the State of Montana, opening statement 412
McLaughlin, Joe, mayor, Pendleton, OR, remarks of 414
Smith, Hon. Robert F. (Bob), a Representative in Congress from the State of Oregon, opening statement 410

Witnesses

Cook, Donald J., general manager, Pendleton Grain Growers, Inc., and chairman of the board, Associated Oregon Industries 440
Prepared statement 507
Coppock, Lawrence A., chairman, research committee, Oregon Wheat Growers League 417
Prepared statement 493
Eymann, Richard, president, Pacific Northwest Farmers Union 452
Prepared statement 532
Harris, James O., on behalf of the Oregon Wheat Growers League and Oregon Weed Board 419
Hill, Fritz S., member, Oregon Grains Commission 443
Prepared statement 515
Lear, Larry F., chairman, wheat and feed grains committee, Oregon Farm Bureau Federation 448
Prepared statement 517
Pryor, Earl, member, Oregon Wheat Commission 420
Prepared statement 498
Reeder, Clinton B., president, Oregon Wheat Growers League 415

Page
Reeder, Clinton B., president, Oregon Wheat Growers League—Continued
 Prepared statement 464
Schlueter, Jonathan F., executive vice president, Pacific Northwest Grain and Feed Association, Inc 439
 Prepared statement 505
Schwerin, Bill L., president, Washington Association of Wheat Growers 436
 Prepared statement 502
Tate, Merlina D., second vice president, Washington State, Women Involved in Farm Economics 455
 Prepared statement 535
Trevino, Tom. M., executive director, Idaho Grain Producers Association 442
 Prepared statement 509
Webb, Robert N., national legislative chairman, Washington Association of Wheat Growers 439
Witt, Terry L., executive director, Oregonians for Food and Shelter 450
 Prepared statement 529

SUBMITTED MATERIAL

Baldwin, Pam, president, Idaho Rural Council, statement 540
Oregon Wheat Growers League, Pendleton, OR, paper 542
Peck, C.K. and Lucile Peck, producers, Peck and Son, Lexington, OR, letter of August 29, 1989 544
Rietmann, Joe, producer, Ione, OR, letter of August 29, 1989 545
Seachris, Carolyn, producer, Touchet, WA, letter of August 28, 1989 547
Smith, Hon. Robert F. (Bob), Oregon, Second Congressional District, news release of August 28, 1989 548
Wysocki, Don, extension soil scientist, Columbia Basin Agricultural Research Center, statement 551

AUGUST 30, 1989, BILLINGS, MT

Glickman, Hon. Dan, a Representative in Congress from the State of Kansas, opening statement 555
Marlenee, Hon. Ron, A Representative in Congress from the State of Montana, opening statement 556
Smith, Hon. Robert F. (Bob), a Representative in Congress from the State of Oregon, opening statement 557

WITNESSES

Anderson, Larry D., farmer, Chester, MT 562
Barnett, Ronald A., vice president, Montana State Beekeepers Association 614
 Prepared statement 719
Bernhardt, Donald W., agriculture manager, Western Sugar Co 574
 Prepared statement 650
Buhmann, Robert L., president, Montana State Beekeepers Association 613
 Prepared statement 717
Crowell, Charles W., executive secretary, Northern Plains Safflower Growers Association 602
 Prepared statement 703
Danbrook, Jeremy J., State president, Montana Association of Future Farmers of America 563
 Prepared statement 626
Dwyer, Joe, president, interstate council, Teamster Sugar Workers 575
 Prepared statement 653
Farmer, Dan, chairman, legislative affairs committee, Billings Chamber of Commerce 582
 Prepared statement 678
Forsness, Jo Ann, Montana president, Women Involved in Farm Economics 588
 Prepared statement 685
Fritz, Kirk M., first vice president, Montana Future Farmers of America 564
Gilbert, Robert N., secretary-treasurer, Montana Wool Growers Association 611
 Prepared statement 716
Herzog, Donald L., on behalf of the Montana Pork Producers Council 610
 Prepared statement 712
Johnson, Larry M., president, Montana Grain Growers Association 597
 Prepared statement 691

Page

Jones, Calvin K., vice president, agriculture, Holly Sugar Co 572
  Prepared statement 641
Kuntz, Edwin J., president, Mountain States Beet Growers Association of Montana 568
  Prepared statement 630
Langley, Pamela J., executive director, Montana Agricultural Business Association 581
  Prepared statement 655
Siroky, Kenneth J., board member, Montana Farmers Union 586
  Prepared statement 682
Snortland, Everett M., director, Montana Department of Agriculture 560
  Prepared statement 623
Steinbeisser, Donald J., president, Montana-Dakota Beet Growers Association 570
  Prepared statement 634
Thuesen, Jerry V., Montana district, U.S. Durum Growers Association 600
  Prepared statement 696
Waller, Helen M., on behalf of the National Family Farm Coalition and the Northern Plains Resource Council 588
  Prepared statement 689
Wilson, Jimme L., spokesman, agricultural policy, Montana Stockgrowers Association, Inc 607
  Prepared statement 705

SUBMITTED MATERIAL

McClure, David L., president, Montana Farm Bureau Federation, statement 722

FORMULATION OF THE 1990 FARM BILL

TUESDAY, AUGUST 8, 1989

House of Representatives,
Subcommittee on Wheat, Soybeans, and Feed Grains,
Committee on Agriculture,
Logansport, IN.

The subcommittee met, pursuant to notice at 9 a.m., at the Holiday Inn, U.S. 24 East, Logansport, IN, Hon. Dan Glickman (chairman of the subcommittee) presiding.

Present: Representatives Jontz and Long.

Staff present: Greg Frazier and Anne C. Keys.

OPENING STATEMENT OF HON. DAN GLICKMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KANSAS

Mr. Glickman. The subcommittee will come to order. Thank you all for coming to this hearing of the House Subcommittee on Wheat, Soybeans, and Feed Grains. I am Dan Glickman, I am the chairman of this subcommittee. I am from the great State of Kansas, from the central Kansas area, my home is Wichita and I am delighted to be here in your great State of Indiana with your two outstanding Congressmen.

Your local Congressman is Congressman Jim Jontz, who has been a member of this subcommittee for about 3 years and has done a splendid job in a variety of areas from improving last year's disaster bill to legislation involving yields, updating yields and to a whole assortment of veterans' legislation education issues. He has been a most outstanding Member of the House as well as this subcommittee. As we develop legislation to rewrite the 1990 farm bill, he will be an invaluable addition.

I would also welcome my colleague, my new colleague, from the State of Indiana, Congresswoman Jill Long who is also a welcome addition to this subcommittee. She has been in Congress now——

Ms. Long. Four months.

Mr. Glickman. Four months, so she has become a veteran. [Laughter.]

She has passed the test. I want to know that and we, in fact, just recently worked on legislation involving a reauthorization of the Commodity Futures Trading Commission where she was very instrumental in amending that legislation to ensure that the Futures Exchanges, the Board of Trade, Mercantile Exchanges have some limits in what they can do to close out positions on soybeans and other commodities which would have a tendency of bringing prices down and hurting American farmers. She will also be an extraordinarily valuable addition as we rewrite the 1990 farm bill. This hearing is one of several we are scheduling in the country by the end of this year where we will get input on the direction farm policy ought to take in 1990 as we write the next farm bill. The 1985 farm bill represented a fairly significant change in American farm policy. The administration felt strongly that we ought to move to a market oriented farm bill and as result of that, we began a policy of rather dramatically lowering loan rates and target prices in the posture of making us more competitive in world markets and we took on an export oriented policy.

This was controversial. I voted against the 1985 farm bill myself. I worried that it was going to lower prices too fast too quickly and it would cost the Government an extraordinary amount of money, and it would create havoc in rural America. In fact, in my part of the country I think it did do that. But now we're in the fourth year of that farm bill and it does seem to be having some success now where the first couple of years it was problematic.

The question is, what do we do from here? Do we continue on the current course, do we change farm policy, what should we do in export matters, what should we do in farm credit matters, how do we deal with rural development initiatives? All these kinds of things that make it so important for us to sustain life in rural America.

I have always believed that a healthy farm economy was just as important for America's national security as any weapon system the Defense Department puts out because we can only sustain ourselves if we retain our food and fiber production capability in our natural resource space. That is one of the reasons America has remained strong all these years; is that we have never been wanting for food and so our job is to keep that happening and to make sure that we permit farmers and ranchers not only to survive but live productive lives and that we don't see the further depopulation of rural America which has happened fairly dramatically over the last 20 years. So this hearing will give us a chance to examine these issues, and I am just delighted we have such a great crowd here today to do that.

Now, I would like to turn over for an opening statement to your distinguished Congressman from this district, Congressman Jim Jontz.

OPENING STATEMENT OF HON. JIM JONTZ, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Mr. JONTZ. Thank you, Mr. Chairman, I want to welcome you and welcome Congresswoman Long to the Fifth Congressional District and thank you for your willingness to schedule a field hearing here in Indiana. It is an honor to have both of you in the district and I believe we are going to have a very productive session this morning.

I also want to welcome the audience which includes a number of representatives of agribusiness, of the press, production agriculture, and the witnesses we will hear today. Your participation today is what makes this hearing a success.

I want to thank all of you for your willingness to take time from your busy schedules to come today and to participate.

In particular, I want to recognize a couple of local officials. First of all, my former colleague in the State senate, Bill Justis. Bill, we are delighted to have you here today. And one of our county commissioners, Bob Williamson. Bob, we appreciate your presence and I guess I should also recognize the junior county commissioner, Mike Bush. He works on my staff so he had to be here but we appreciate the local officials and others of you who may be here who have taken the time to participate today.

The purpose of this hearing, of course, is to learn firsthand what the Hoosier agricultural community feels we should put into the 1990 farm bill. I believe that the testimony we will hear today and at our session this afternoon in Columbia City will be a good representation of the views of the agricultural community in our State.

There are several aspects of this issue which we must keep in mind but I think the No. 1 consideration in rewriting the farm bill has to be what impact policies we adopt have on net farm income. That is the bottom line. It does not make much difference if we produce the most or have the highest yield per acre or have the best product if farmers cannot make a profit. If the farmers in this State and the other portions of our country cannot make a profit based on the policies that we have, then they ought to be changed.

We need also to consider the policy changes which allow producers the flexibility they need to produce for the markets, not for Government programs. Our farmers need and want the flexibility to maintain the fertility of their land through crop rotation without being penalized by having their program crop base reduced.

One of the biggest inequities in our farm programs that I have heard from producers in this area over the last couple of years is that farm program payments are based on outdated ASCS established yields instead of actual production yields. As Congressman Glickman mentioned, I was the author of a bill that did pass the House recently and hope that it will be taken up in the Senate soon to allow producers to report their actual yields to the ASC and require the USDA to report to us in the Agriculture Committee what the impact on the cost of farm programs would be going to those actual yields.

In 1986 and 1987 Indiana corn producers averaged over 135 bushels per acre actual yields while their ASCS average yields was approximately 105 bushels per acre. It does not make sense to me that farmers should be paid on some artificial yields when they have the capability—when we have the capability to make farm payments based on actual yields that farmers report. That is the reason I introduced the legislation and I hope the information that we can obtain from producers who voluntarily make their yields information available to USDA will help us to do a better job with the 1990 farm bill.

We also should take into consideration when we write the 1990 farm bill the fact that while the Government price support payments are declining, that input costs are now increasing. Much of the recovery of the farm economy which started a couple of years ago was due to lower input costs; fertilizer, chemicals, seed, machinery, and interest rates, and land, all cost considerably less in 1986–1987. In 1988, we saw increases and in 1989, prices of input rose again. At the same time, commodity prices have not kept pace except for 1988, because of the drought. We have to, I think, take into consideration what is happening to the input costs that farmers have when we take a look what payment levels will be and I hope that that will be a major consideration in the writing of the 1990 farm bill.

As the Agriculture Committee prepares to write a new farm bill, it is important that we look at all the alternatives. It is important that we hear not just from officials in Washington and representatives of the national organizations but from producers themselves here in Indiana and other States who will be the ones who will have to live with whatever the practice that we produce.

So I thank you for your role today in making this hearing possible. I want to again welcome the chairman and my distinguished colleague from the Fourth Congressional District, to the east of us, and thank you for your visit to Indiana and I know that we are going to have an excellent hearing.

Mr. GLICKMAN. Thank you. Now, I yield to my other colleague from Indiana, Congresswoman Long.

OPENING STATEMENT OF HON. JILL L. LONG, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Ms. LONG. Thank you, Mr. Chairman. It is certainly a privilege to be with you today and I am, like my colleagues here, very much looking forward to what you are going to be recommending for the 1990 farm bill. I believe that agriculture is going to play an increasingly important role as we move into the 1990's and into the next century as part of our trade policy and I believe that the input that we receive here today is going to be very important as we shape the 1990 farm bill and I am very much looking forward to hearing what you have to say.

Thank you.

Mr. GLICKMAN. And I might mention that we are going to go to Columbia City to hold a second hearing at 2 p.m. in Congresswoman Long's district And frankly, it gives us an opportunity to hear from pretty much the entire northern half of the State as well as getting a good feel in terms of corn and soybean country what people want to see in terms of the 1990 farm bill.

I would say that in the event that anyone who is not testifying wants to get written statements into the record that we will include them in the hearing record. I would ask that you do that, if possible, within 10 days from the date of this hearing and send it to the House Agriculture Committee in Washington. You can call Congresswoman Long or Congressman Jontz' office or talk to their staff today about how to do that.

We will start now with the first panel of witnesses. I would ask all the witnesses—we have 17 witnesses and we need to leave here at 12 noon today. I am not going to divide the time, but I would ask you to be as brief as you can and still get your message across. All of your written statements will appear in the record in their entirety so you need not feel that you have to read your entire statement. I do that so the witnesses at the end are not short-changed. There are a lot of folks here who have come long distances to testify today, but we do need to be out of here no later than 12 noon because we have to be in Congresswoman Long's district by about 1:30 p.m. to get started with her hearing.

We are privileged to have a distinguished panel: David Miers, deputy commissioner of agriculture for the State of Indiana; Robert Thompson, dean of agriculture, Purdue University, former assistant secretary of agriculture; the Honorable Claire Leuck, chairperson, house agriculture committee, Indiana General Assembly; and the Honorable Katie Wolf, senator, Indiana General Assembly. So we are delighted to have you all here. I will ask you all to testify before we ask questions.

Mr. Miers, you may begin.

STATEMENT OF FRANK O'BANNON, LIEUTENANT GOVERNOR AND COMMISSIONER OF AGRICULTURE, STATE OF INDIANA, PRESENTED BY DAVID L. MIERS, DEPUTY COMMISSIONER OF AGRICULTURE

Mr. Miers. Good morning, Chairman Glickman, Congresswoman Long, and Congressman Jontz. On behalf of Governor Evan Bayh and Lieutenant Governor Frank O'Bannon, it is a privilege to welcome the members of the subcommittee and its staff to Indiana. In our State, the Lieutenant Governor serves as the commissioner of agriculture. Lieutenant Governor Frank O'Bannon was unable to meet with you here today because he is attending a National Conference of Lieutenant Governors. However, I would like to present his written testimony to the members of the subcommittee for your review.

Welcome to Indiana. It is an honor to have you in the Hoosier State. Governor Bayh and I extend our best wishes to success in the important work you have before you.

One out of every five workers in Indiana finds employment in the food chain industry. Indiana ranks very high among the States in terms of corn, soybeans and hog production. In fact, the most recent agricultural census showed that two-thirds of the $4.1 billion Indiana receives each year in farm income can be traced to corn, soybeans and hog production.

Last year, when Governor Bayh and I were seeking the offices that we now hold, we pledged that our administration would focus on Indiana business. Agriculture is big business in Indiana. And for that reason, a major feature of our economic development package that we successfully proposed to the Indiana General Assembly contained a provision that creates the Indiana Commission for Agriculture and Rural Development. Governor Bayh serves on this commission and I serve as its chairman. The dean of the school of agriculture at Purdue University is a nonvoting member. The other 11 members are citizens with broad knowledge and experience in issues that will be considered by the commission.

While this commission will devote a great deal of its energy to policy considerations involving agriculture, the issues involving rural development will not be neglected. Indiana, more than anything else, is a State of many small towns, several medium-sized cities and a few large urban areas. It is vitally important that rural communities in Indiana be maintained, strengthened, and further developed. The commission will examine issues affecting the environment, the quality of health care in rural areas to include mental health, and ways of improving roads and bridges in rural Indiana.

I am aware of Congressman Jamie Whitten's deep interest in this topic of rural development. Recently, in correspondence in my office, he commented, "As Congress becomes more and more urban, rural areas can use all the support they can get." That statement sums up the situation very well. In Indiana, our new commission exists to help all rural communities. I hope the 1990 farm bill will address this topic in clear and effective ways.

Thank you again, for choosing to meet in Indiana. Please let me know if we can offer any assistance in your work.

Although Indiana is not among the largest States in land area, it is a major farm State with more than 70,000 farms in our State. Indiana is the 10th leading State in the Nation in terms of commodities production. Indiana ranks fourth in corn production, fourth in soybeans, and second in the Nation in chicken inventory, and fourth in the Nation in hog inventory.

It is interesting to note that although Indiana is 10th in commodities production, it is eighth in terms of commodities exported.

As I have traveled around the State and met with farm and agribusiness leaders, I hear them express their concerns and I know they are looking to your subcommittee for leadership in helping resolve pressing issues.

Indiana farmers state that they would like more flexibility to plant what they want or what the market says it wants.

The 1985 farm bill restricted soybean acreage and thus resulted in losses of foreign markets for Indiana and U.S. soybeans. Farmers need the flexibility to make their own production decisions.

We would support the recommendations of the Nation's Governors at the recent National Governors' Association Conference held in Chicago, Illinois. That proposal recommends substituting a total farm base program for the wheat, feed grains, and cotton programs to allow farmers greater flexibility. This change will allow farmers to base production decisions more on net farm income considerations, consumers' needs, and environmental concerns, and less on Government demands.

Indiana farmers are aware that there is a growing interest in a variety of issues that go beyond production aspects of agriculture. These include environmental concerns, farm safety issues, and food safety considerations. We would support the enhancement competitiveness through the Export Enhancement Program and through agricultural research and extension systems.

It is also felt that we need to continue the availability and the use of the Export Enhancement Program as an export trade policy tool. We need to provide support for the research on ag production systems that may reduce the use of energy, water, and agricultural chemicals. Emphasis should be placed on more efficient production systems.

Also, we need to provide funding to agricultural research and extension systems to meet the constant economical and technical changes in agricultural and rural development.

And finally place a high priority on research programs rewarding additional uses of agricultural products and identifying potential new uses.

These recommendations as presented should be implemented at a cost of no more than the total cost of the Food Security Act of 1985.

I would like to thank you very much for inviting me here to testify on behalf of the State of Indiana and welcome to Indiana again.

[The prepared statement of Mr. Miers appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much, Mr. Miers.

Dean Thompson, it is a pleasure to have you here.

STATEMENT OF ROBERT L. THOMPSON, DEAN OF AGRICULTURE, PURDUE UNIVERSITY

Mr. THOMPSON. Thank you, Mr. Chairman. Good morning, Mr. Chairman and members of the committee. I appreciate your invitation to appear here today to discuss the next farm bill. As you know, I was actively involved in putting together the 1985 farm bill while serving as Assistant Secretary for Economics at USDA. I am pleased to have the opportunity this morning to review how the 1985 farm bill is working and to offer suggestions for the 1990 farm bill.

I will submit my full statement for the record and just summarize some of the key points here this morning.

The 1985 farm bill effectively addressed some of the severe problems that American agriculture was confronting in the mid-1980's. By reducing the loan rate toward a 75 percent of moving-average market price formula, the 1985 farm bill reestablished the international competitiveness of American agriculture. Exports have recovered well since the 1986 trough. By authorizing large deficiency payments in the short run while exports were recovering, the 1985 farm bill sustained the cash-flow of many farmers and prevented more from failing financially. The Congress and the administration accepted the large budget costs that resulted from these measures as the necessary price to be paid to restore the economic health of the American farm sector. By establishing the Conservation Reserve Program and requiring conservation compliance for farmers to participate in any Government program, the 1985 farm bill aggressively attacked the problem of soil erosion in the United States. And I perceive that most Midwestern farmers feel that the 1985 farm bill has worked quite well and would like to see its central thrusts continue in the 1990 farm bill.

Now, let me turn specifically to several provisions of the grains and soybeans provisions 1990 farm bill. The first point I would make is that it is essential that we avoid any temptation to legislate higher loan rates. We learned in the 1981 farm bill that this undermined our international competitiveness and caused a severe erosion of American farm exports when coupled with the overly strong dollar. And, without export growth, the only alternative is severe downsizing of the American farm sector and associated agribusinesses. The 75 percent of moving-average market price formula adopted in the 1985 farm bill ensures that in normal years U.S.

farm products can be internationally competitive, while preserving the integrity of the loan rate as a safety net under market prices in years of bumper crops and weak export demand. I think we should leave the 1985 farm bill provision on loan rates intact.

The biggest problem though with the 1985 farm bill is the inflexibility that it imposes on farmers' ability to respond to market signals in reallocating their land among crops. Last year the market was clearly signaling that we needed to plant more soybeans and oats, but corn growers simply could not afford not to plant their full corn base to corn in order to protect the value of that valuable asset. The drought disaster assistance bill of 1988 provided temporary relief in this area. Some have suggested that we go back to the old normal crop acreage concept in the next farm bill; others advocate adopting the triple-base concept. But whatever you do, it is essential that greater planting flexibility be built into the 1990 farm bill.

I think greater planting flexibility is particularly urgent with respect to soybeans. The provisions of the 1985 farm bill covering soybeans are probably the least well-crafted of any commodity covered by the bill. By dropping the world market price of feed grains relative to soybeans by a significant margin, we significantly increased the profitability to our South American competitors of growing soybeans relative to corn. This has induced larger plantings of soybeans south of the border. At the same time participation in the Feed Grains Program has been so financially attractive to American soybean growers that the reduced U.S. soybean production has caused a significant shorting of the market relative to what it otherwise would have been. It would be hard to design a more effective formula for the demise of the United States as a large soybean exporter than we did in the 1985 farm bill. The soybean provisions of the 1985 bill are broken and in dire need of fixing.

Some observers advocate expanding the conservation reserve beyond the 45 million acres authorized in the 1985 farm bill. My reading of the data suggests that 45 million acres will be sufficient to take care of the highly erodible land that is still in production. Any expansion beyond the 45 million acres though would likely short the market and cause American farmers to forgo export opportunities.

While we are doing all of this, it is essential to keep in mind that the Uruguay Round of international trade negotiations will be going on in the GATT at the same time we are writing the 1990 farm bill. For the first time ever, the GATT is seriously trying to take on the problem of farm subsidies that induce over production in high cost areas around the globe. There is a real possibility of achieving greater market access and a leveler playing field than has existed in the past. It is essential therefore that our 1990 farm bill complement what is going on in Geneva at the trade negotiations. In the 1990 farm bill we must neither unilaterally disarm nor so tie the hands of our negotiators that they have no room to maneuver to reach an agreement. U.S. agriculture has everything to gain from a freer and more open trading environment.

So in summary, I would say that agricultural commodity programs do effectively stabilize farm prices and incomes, and this provides short-term sustainability to agriculture during downturns.

But it is also important to remember that a significant share of the competitiveness of American agriculture is due to the cumulative investments that have been made in agricultural research and technology transfer. The United States has fallen behind its competitors in the last 15 years in its support of agricultural research. Other countries are out-investing us in research that is essential to the long-term sustainability of American agriculture. This is important not only in preserving our international competitiveness, but also in addressing the high priority concerns related to water quality, food safety, nutrition, and rural development.

I hope the Congress will arrest the erosion of support for agricultural research and extension and permit us to first stabilize this system and then rebuild some of the lost capacity to address these important policy issues.

Mr. Chairman, I am submitting for the record a copy of a recent survey of Indiana farmer attitudes concerning future farm policy that was taken by the department of agricultural economics at Purdue University. This 1989 survey followed a similar survey that was carried out in 1984.

I will cite just a few of the findings here and submit the full report for the record. In the 1984 poll, 25 percent of Indiana farmers favored mandatory supply control programs. In 1989, only 8 percent of Indiana farmers did. In 1984, the percentage who wanted all Government programs phased out was 25 percent. In the 1989 survey, 42 percent of Indiana farmers said all farm programs should be gradually eliminated.

Forty-four percent of the respondents wanted loan rates eliminated altogether and another 29 percent favored a loan rate based on an average of market prices over the past 5 years.

Sixteen percent of farmers who responded to our survey said loan rates should be raised and be the primary policy instrument to support commodity prices.

I would say no consensus emerged on target prices. About one-third said target prices should be phased out completely over a 5 to 10-year period. Another third wanted to retain target prices and increase them annually at the rate of inflation, 12 percent want target prices maintained at current levels and still another 11 percent want annual cuts of 2 to 4 percent per year to reduce Government spending and discourage over-production.

Respondents gave no clear signal in their attitudes toward payment in kind or conservation reserve.

In the 1984 survey, two-thirds of those surveyed strongly favored continuation of a PIK Program. In 1989, opponents outnumbered supporters 36 percent to 31 percent.

Support is strong for soil conservation and the Conservation Reserve Program, but opinions are quite mixed as to the optimum size of the reserve. In both 1984 and 1989, the majority of the respondents approved of the CRP, but in 1989, 20 percent want it limited to its present size, 26 percent want it expanded to the full 45 million acres authorized, and another 17 percent favor expansion to 60 million acres.

Indiana farmers in the survey favor efforts to reduce barriers to world trade. More than half of the respondents favor negotiations to reduce farm and export subsidies, but almost half of the farmers favor continuation of the EEP program which supports exports through subsidies.

Mr. Chairman, those are a few of the findings in this survey, and I think you will find the full survey results of interest as you are looking toward writing the 1990 farm bill. Thank you very much.

[The prepared statement of Mr. Thompson appears at the conclusion of the hearing.]

Mr. **Glickman**. Thank you, Dean Thompson. We will include that survey as part of the record.

Now we are privileged to have the chairperson of the house agriculture committee in this great State, Representative Clair Leuck. Thank you very much for coming today.

STATEMENT OF CLAIRE M. LEUCK, STATE REPRESENTATIVE, 25TH DISTRICT, INDIANA GENERAL ASSEMBLY

Ms. **Leuck**. Thank you, Chairman Glickman, and distinguished members of the panel.

My name is Claire Leuck, I am a resident of Benton County, Indiana where the land is flat and the soil is productive. My husband, Richard, and I have a farming partnership. We are purchasing the 160 acres on which we live and farm an additional 800 acres.

I presently am the State representative for the 25th district in the Indiana General Assembly. Mr. Chairman, my district which formerly was that of your colleague, Jim Jontz, includes all or parts of five rural counties. I am in my second term in the Indiana General Assembly. During that time, I have been a member of the house agriculture committee and presently serve as cochairperson of that committee.

However, today my testimony will be given from the perspective of my husband and I, who by our chosen occupation, farming, are left to deal with farm programs that we do not feel are always serving the best interests of the farmer. Programs which were initiated to protect the farmer from hurting his income by overproducing and creating surpluses and thereby reducing the prices for his commodities have many times failed. What we have now are commodity surpluses, low prices, and controls. I have to stop and wonder what could have been, if as much emphasis had been placed by our Government on the sale of our commodities on the world market or if emphasis had been placed on funding for research for value-added products for these commodities instead of deciding to pay farmers not to do what they do best: Produce an abundant crop.

We have resigned ourselves to the fact that there will always be government involvement in our industry. Hopefully as the new 1990 farm bill is written, concern will once more focus on what the original intent of the post-depression era assistance program was, which was to ensure some financial stability. Many of us feel that we recently came through a situation that was not unlike the Depression.

We have come to expect yearly "detail" changes and should this continue in the 1990 farm bill, in order for a producer to have the opportunity to do strategic planning for the upcoming production year, the farm program for that year should be announced by October 1; however, given the fact that there is a general election every other year, we would settle for November 15. The program should have all "details" such as loan rates, deficiency payments, target prices, and paid ACR's, firmly in place. The ASCS offices should receive the necessary software to begin the sign-up simultaneously. If the Federal Government is going to be in business with us, let them start operating like a business partner, by giving us the necessary information in a timely manner so we can plan our production strategy. Given the necessary information early and without change, producers could take advantage of preseason discounts on seed, chemicals, and fertilizer. We could then project more accurate figures on our cash-flow statements. This past year, the farm program, in final "detail," was not announced until around March 1, at least that was in our county it seemed, with a final sign-up date of April 15. One of the last-minute "details" being worked out by the Secretary of Agriculture was whether or not to allow soybeans to be planted on corn base acres.

I will direct my testimony to a few proposals that as a farmer I think would be beneficial to our economic well being. You know, several years ago, the ASCS offices administered a farm facility loan program. Farmers were able to finance storage as well as drying facilities at a reduced rate of interest. We took advantage of the program, that is my husband and I, and within 7 years, we had storage and drying set-ups paid for. With the disappearance of this program, and given the high rate of interest through commercial loans, the building of on-farm storage has virtually ceased. However, grain merchandisers have continued to build storage facilities. Without on-farm storage, the farmer has lost one more opportunity to control his commodity, not to mention storage benefits. Perhaps some consideration should be given to reimplementing a similar facility-loan program.

Proven yields should be reintroduced into the 1990 farm bill. A 5-year production average should be established, which would include the current production year plus the 4 preceding years. The farm average would remain up-to-date by deleting the oldest and adding the current production year. Each farm would then have a true production history and deficiency payments could be based on a proven yield average.

Commodity loan rates and/or target prices should reflect enough income to offset production costs, include living expenses, and leave some good old-fashioned profit. Profit provides farmers with the ability to expand, upgrade, and improve the farm unit. These loan rates should be in effect for the 5-year duration of the farm bill without modification or change. This would at least enable the producer to chart a course for an extended period.

I am suggesting a farm bill with farmers' interests in mind perhaps with a 20 percent ACR of the existing corn base. This 20 percent or more ACR would be a paid diversion of no less than $120 per acre. This ACR would have to be seeded with a cover crop. The remaining 80 percent crop acres, or less, whichever is the case, could be planted to any grain or hay crop of the producer's choosing without losing or reducing the corn base. So that my suggestion is perfectly clear, whether you planted your entire farm to all corn, all soybeans, all wheat or any combination thereof, your corn base would remain the same throughout the 5-years.

Almost every commodity producer would like to see the Government out of their business, but, realistically, we know that is not likely to happen because of all of the other ramifications. However, we as agribusiness people would like to have the opportunity to manage our production operation as a business where we at least are given the opportunity to make planting and marketing decisions.

Thank you for the opportunity to be here.

[The prepared statement of Ms. Leuck appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you for your excellent statement.

Now we are pleased to have State Senator Katie Wolf with us as well.

STATEMENT OF KATIE L. WOLF, STATE SENATOR, SENATE AGRICULTURE COMMITTEE, INDIANA GENERAL ASSEMBLY

Ms. WOLF. Thank you for the opportunity to share a few thoughts with you this morning.

With the many provisions of the 1985 farm bill scheduled to expire in 1990, State and Federal leaders should now develop a new blueprint for the Nation's farmers and rural communities.

Of course, the centerpiece of any farm bill should be Federal support for commodities. While some contend that we must completely dismantle supports and start anew, I think it is much better to continue support programs, working within them to make improvements and to ensure more flexibility.

Loan programs which exist for corn, wheat, and other food grains, as well as soybeans and tobacco should be continued into the 1990's. Target prices for commodities I feel should also be maintained.

Even though supports be preserved—should be preserved—there are changes that need to be looked at. One problem is balancing support for commodities.

For instance, currently farms with a corn acreage base must plant all but a certain percentage of that base to corn. Acreage which is left over is considered the corn acreage reduction. In an effort to give farmers more flexibility, cropland set-aside should be looked at as an alternative to acreage reduction.

Under a cropland set-aside, farmers would still be required to keep a certain portion of their acreage idle, but crops planted on remaining land are left to the farmer's discretion. This would mean that farmers would have complete decisionmaking control over what crops are planted.

Another area the Congress should address is the current bias in agriculture toward huge corporate farms. Since current commodity supports link the number of bushels produced to the amount of support, much of the Federal support ultimately goes to the larger farms. Especially if budget cuts are necessary, we should look at payment limitations and other alternatives so that family farmers are protected.

Finally, farmers should get paid for what they produce. Currently, the ASCS determines output based on material which really does not reflect the actual output of farmers.

For instance, Hoosier farmers in 1986 produced on the average 135 bushels per acre, but only received support for an average yield of 101 bushels per acre. The new farm bill should ensure that farmers receive funding based on proven field data here in Indiana, rather than artificial figures determined in Washington. I am glad to see that you are beginning to address that. I also hear substantial remarks that the Soil Erosion Program should continue.

One thing is certain, a new farm program should take into consideration the impact of chemical pesticides and commercial fertilizers on the environment. Support for greater research in this area could eventually reduce environmental problems and help farmers diversify their operations.

The farm bill should also help farmers secure new markets for commodities. Whether it is developing new markets abroad or creating new markets for value-added products, the Federal Government should get more involved in marketing support.

Much of the research on agriculture in Indiana takes place at Purdue University. We have a Value-Added Research Center at the university which is currently funded only by the State. It would be helpful if Federal funding could be made available for State efforts such as this one.

Exporting is another vital avenue for farm products. Foreign markets are no longer just an outlet for commodity surpluses, they are a crucial link in preserving the health of our Nation's agricultural industry. There should be increased Federal support for programs which help farmers identify markets for commodities or value-added products.

Greater technical assistance should also be given to farmers who want to diversify their yields or get involved in a value-added enterprise.

Finally, the Congress should broaden the scope of a farm bill to include the overall issue of rural development. Many of the problems facing rural communities are related to agriculture, and we have to look at linkages between the farm commodity—farm community, rural health care, economic development, and roads.

We send our tax dollars to Washington and it would truly be helpful if more of those dollars could be returned for the many necessary programs to assist our farmers. You probably think that I would suggest that all funding go to agriculture. Well, that is really not the case but we would like to have our fair share.

Thank you for the opportunity.

[The prepared statement of Ms. Wolf appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you. It is fine with me if all funding went to agriculture, I do not think we could get a total agreement on that.

Mr. JONTZ. Mr. Chairman, are you ready for a vote?

Ms. WOLF. We have got a second on that one.

Mr. GLICKMAN. I want to make a couple of comments. One, all your testimony was excellent.

On the issue of flexibility, I was the author of the provision in the 1988 Disaster Program, the 10/25 soybeans and oats provision. It is clear we are going to move toward more flexibility in next year's farm bill. Dean Thompson, you talked about the effect on soybeans and I think it is real. I want you to know it is not a cut and dried issue however. It is an interesting thing. I had a hearing in Kansas last year and everybody stood up and said we want you to stop the Tobacco Program. We want to stop the Tobacco Program. In truth, we do not pay much for the Tobacco Program anymore at all. Let those people grow something else than tobacco. Well, this year in North Carolina they had the most rapid increase in wheat production in their history. Now, my farmers in Kansas are saying get them to grow tobacco again.

Now, the point is flexibility will have effects all over this country because of demographics. It will allow people to produce crops that they otherwise have not produced, which will have a market effect and that is fine, that is the marketplace working and I believe it should but I think we have to recognize that. For example, when we went to the soybean/oats flexibility provision in the 1988 Disaster Program, we did grow some additional soybeans, not a lot but some additional soybeans and now my friends in Louisiana, Arkansas, and Mississippi are saying to me, "You dropped the price of soybeans and my people do not have the flexibility to move to corn, whereas your corn producers up north can move to soybeans."

Well, I guess my point is that we all look at the world through the eyes of the people right around us and it is a mighty diverse country and all these things have just very significant impact. I still think that we ought to move clearly in a much more flexible way. I think that we will, in fact, do that. That tends to be a method.

I want to just mention one other point and then I am going to ask Dean Thompson to comment on something Representative Leuck said. Mr. Miers commented at the end, he said that whatever you do, the 1990 farm bill should not exceed the cost of the 1985 farm bill. Well, the cost of the 1985 farm bill was $80 billion so my guess is you are assured, Mr. Miers, the 1990 farm bill will not exceed the 1985 farm bill. We are in this very serious budget problem now. Agriculture is taking even a bigger share of the cuts than I think it should. Part of the reason why is the farm bill has upped the price of commodities and deficiency payments are going down anyway but we in agriculture must be diligent in at least protecting the infrastructure program, the research programs, extension programs, and basic income programs, notwithstanding the budget problems we are in but we are going to have to share in deficit-reduction because not all of us can say somebody else is going to do it, we do not have to do it. I think we just have to make sure that it is fair.

In that line, Representative Leuck in her statement said that commodity loan rates and/or target prices so I presume that she could mean some form of government support payment should reflect enough income to offset production costs, include living expenses and leave some good old-fashioned profits.

Now, Dean Thompson, you were involved in writing farm policies during the 1985 farm bill period. I wonder if you might comment on how you think target prices and/or loan rates—probably more target prices—How they should be set, what they should reflect?

Mr. THOMPSON. Well, Mr. Chairman, I think the first key point is to recognize that loan rates serve a price stabilization function, and target prices provide the income support to agriculture. We learned in 1981 when we wrote loan rates into law 4 years in advance that we simply could not predict what world market supply and demand conditions would be, and we priced ourselves artifically out of the market and caused exports to decline by 40 percent. So I feel very strongly that we have to make sure that in normal years the loan rate is below the market clearing level, but it is still there as a safety net in years of bumper crops. Then we should let the target price be the instrument to stabilize producers' income.

One approach that might be considered is to set target prices at some moving average of market prices just as we did loan rates. We set loan rates at 75 percent of the moving average market price. Maybe we ought to set target prices at 100 to 125 percent. As long-term supply and demand conditions tighten, this would pull target prices and loan rates up over time. Or, as we moved into a surplus situation, they would both ease down over time. This would smooth out the gyrations of the market, but we would still have as a price support instrument or a safety net, the loan rate, and we would still have the target price as an effective income stabilizer.

But I think trying to predict what the cost of production and the world market price are going to be is a game that our crystal ball is simply not clear enough to permit. Therefore, I prefer the idea of smoothing out the the movements in both of them using a long-term moving average formula—a long-term formula linked to average market prices.

Mr. GLICKMAN. One of the things I think either Representative Leuck or Senator Wolf talked about is that we ought to know 5 years in advance or as far as we can in the future what that income support figure is going to be. How would you deal with that?

Mr. THOMPSON. I think that if you base the targets and loans on a 5-year moving average market price, this gives you significant predictability, because you know what the last 4 year's prices would be. And so as soon as USDA would announce the season average market price, then everybody who had a calculator could plug in that value and run it through the formula and would immediately know the new target prices and loan rates. This would provide a lot more predictability in both targets and loans than farmers have had in the past. Unpredictability in those policy instruments has been one of the real problems farmers have been subject to.

Mr. GLICKMAN. I would just make one final comment before turning it over to my colleague. Representative Leuck, there was one paragraph in your statement you did not read which I found kind of interesting.

Ms. LEUCK. I was trying to stay within my time limit but I will happily read it. Dean Thompson was sitting next to me and he served on that.

Mr. **Glickman**. Well, he is out of government now so he will not care, but you do talk about the power of the Secretary of Agriculture.

Ms. **Leuck**. Exactly.

Mr. **Glickman**. One of the interesting things is that most people do not really recognize this but the way events have turned out the Secretary of Agriculture or the Department of Agriculture has really evolved into a Federal grain board. For all practical purposes no sales are made overseas without Uncle Sam deciding when, under what circumstances, at what price. Now, this may be not all that bad but it is ironic, indeed, that the administration of a conservative President we have created a Federal board to sell farm commodities overseas just like the Canadians have and the Australians have. And one of my concerns is if we have that—and we may need it to compete with the Europeans, there may be no other way to deal in the world—we have to make sure that it operates fairly and openly and does not operate in secret because I do not want another HUD scandal on the hands of the Department of Agriculture, theoretically.

And it is true the Secretary of Agriculture has much greater power than he did 20 or 30 years ago. That is absolutely true. Congress, to some extent, gave him that power because we did not know how to deal with surpluses that we had. We said, OK, here you issue PIK certificates or you use the Export Enhancement Program and they have done a pretty good job of getting the surpluses down but we have given them enormous power. That is true. And when we rewrite the 1990 farm bill, we need to examine are there limits to that power and should they be put into the statute because we can have a good Secretary and then you can have a bad Secretary who could take that power and use it to the detriment of farmers so the section you did not read I think was an excellent section.

Ms. **Leuck**. May I read it now from the beginning?

Mr. **Glickman**. No, no.

Ms. **Leuck**. I was just kidding.

Mr. **Glickman**. Mr. Jontz.

Mr. **Jontz**. Let me also thank all the witnesses for excellent statements. I am sure with each of the panels this morning we could spend all morning asking questions and listening to the answers but time just does not allow that.

I will ask one question. Also, in Representative Leuck's statement following the portion of her statement that you read Mr. Chairman, is a statement that a profit provides farmers with the ability to upgrade and improve the farm unit and I would like to observe, I think that is a very important part of the ability of American agriculture to be so competitive, so productive, is that we have seen continual improvement.

Dean Thompson, I guess what I want to ask you is this, do you have any concern about a backlog of unmet investment needs that may be accumulating in this country when farmers are unable to purchase machinery they need or unable to make conservation improvements that they need, they are unable to experiment with alternatives that may help them to improve what they are producing? Do you have any fears that we are accumulating a backlog of unmet needs in this area which may hamper our ability to be competitive on a long term basis?

Mr. THOMPSON. Congressman, there is no question but that in the early to mid-1980's there accumulated a tremendous backlog of unmet investment needs in American agriculture. This was passed all the way through the farm input firms. We saw our farm machinery industry operating at 10 percent of capacity in some years. So clearly we used bailing wire and whatever it took to keep the machinery we had together as we rode out the depressed conditions from 1983, 1984, through 1985. But we have to remember that in the last 2 years, both 1987 and 1988, we had record high net cash-farm income and by a substantial margin, particularly in 1987. This was in part the result of the large deficiency payments that were made and partly the result of the tightening of the market that occurred in 1988 and the resulting stronger prices. As a result farmers were able to pay down debt, and we also saw farm machinery sales start to move again. Obviously, we have not caught up yet completely, but if we have another couple of good years, I think we will be clearly out of the woods. And we are doing a heck of a lot better today than we were 3 years ago.

Mr. JONTZ. Do the increases in cost of production which I cited in my testimony give you some reason for concern that the fact with the declining prices and increase in cost of production, this change in climate which you have correctly identified in this last couple of years may be gone in the near future? Is that a concern of yours because I am troubled by the fact that when we, in the course of the implementation of the 1985 farm bill, throughout that—the early years at least, all the costs of production were going down and now that is turned around and the costs are going up. To the farmer, as I said in my opening statement, profit is the bottom line and if costs of production are going up, then that eats up profits pretty quickly and that backlog that we talked about will continue. Is that a concern of yours?

Mr. THOMPSON. I do not think that we should expect anywhere near as bad conditions as we saw in the mid-1980's. I do not think we will see as good years in 1989 or 1990 as we had in 1987 and 1988. Those were record high net cash-farm income years and by a very substantial margin, well over a 10-percent increase in 1987 over the previous year—or over any previous record. And so while we will not match the maximum we ever had, I still think there is going to be money to be made in farming. Clearly, the cost of production will be modestly higher, and farm prices and deficiency payments will be modestly lower. But I think we will still be in a money-making business for the bulk of the people who are in farming as the principal source of their family income. I expect that there will be a margin of profitability to provide sustainability and the opportunity to reinvest.

Mr. JONTZ. I hope that you are right. Thank you very much.

Ms. LONG. Thank you, Mr. Chairman. I do not have any questions but I do want to address one of Senator Wolf's comments regarding rural development and the responsibility that we have in developing policy in addressing the problem of rural development. I have the privilege of sitting on the Agriculture Subcommittee on Conservation, Credit, and Rural Development and I think you will be pleased to know that we have been holding a series of hearings in Washington and a large number of people from diverse backgrounds from rural areas have been testifying before the subcommittee and we will certainly be taking their concerns as well as your concerns into account as we are shaping policy for the 1990's, so I do want you to know we are working on that. We recognize that a healthy rural community is a very important part of our Nation's economy and social fabric and we are addressing that.

Thank you.

Mr. GLICKMAN. I want to thank the panel for their excellent testimony.

Our next panel is Mr. Mike Hacker with Weaver Popcorn Co., Mr. David Kuk with the Indiana Farm Bureau Co-op, Inc., Mr. Roy Johnson with Super Crost Seeds, Mr. Joe Johnson, general manager of Erny's Fertilizers, and Mr. Ben Yantis, president, Yantis Implement and Yantis Farms, Logansport, Indiana. Thank you gentlemen all for coming today.

As I said to the first series of witnesses, your statements will all appear in the record if you have written testimony, so you may feel free to summarize your statements if you wish. And I think we will start, as I said, Mr. Hacker, Mr. Kuk, Mr. Roy Johnson, Mr. Joe Johnson, Mr. Yantis, and then we will go to questions and Mr. Hacker, why do we not go ahead and start with you.

STATEMENT OF MICHAEL A. HACKER, FIELD PRODUCTION MANAGER, WEAVER POPCORN CO., INC.

Mr. HACKER. Thank you very much. The Weaver Popcorn Co. is a family owned business that has been in the industry for over 60 years. Currently, we supply 25 percent of the total world's supply of popcorn which makes us the leading popcorn company in production in the United States and the world itself. We grow popcorn in 11 States from Ohio to Colorado and so we cover a very wide area.

Popcorn is a crop that we contract on an annual basis. Agronomically it is very similar to field corn in its production and so that makes it a very logical crop that it replaces when we go out and contract with a grower. That kind of leads me to the first point which is an issue that has already been heard I think this morning four times and that deals with base acres for field corn and maintaining that base.

Popcorn is a nonprogram crop and does not contribute to base acres. Even though it is more profitable on a per acre basis than a comparable field corn crop, a grower is reluctant to replace those field corn acres because it will reduce his base acres. Psychologically he needs to maintain that base with the way the program is now designed.

This situation is the same for all nonprogram crops, that the competition with field corn is not so much from the payments that it is receiving today but for the psychological effect of maintaining that base.

With that in mind, our suggestions would be to allow nonprogram crops to maintain a grower's field corn base if that is what he is replacing with the nonprogram crops. Loans and ARP payments would apply to field corn actually planted. No payments would be paid to nonprogram crops. Would require a grower to have a predetermined percentage of cropland set aside, the same for all program participants, and it must be available for all nonprogram crops—not just popcorn but vegetable crops and whatever the situation might be. We cannot isolate certain specialty interests.

The benefits of this is we would stop penalizing a grower for reducing his field corn acres when he grows a nonprogram crop, which ironically is exactly what the farm program is trying to do in the first place.

It would decrease Government payments because of fewer acres eligible for subsidies.

It would allow the free market to determine what crop he grows. As a contracting company, we would still have to compete against other alternatives that a grower has, including field corn.

This will allow the grower to benefit from any number of opportunities he might have from alternative crops and not decrease his base acres. The second area is timing when the program is announced. The majority of all contracts for specialty crops, including our own, are recontracted on an annual basis, between December and March. For us as a company to develop a contract to take to the grower, it is imperative that we know what the program is going to be, and for a grower to make a decision on what he will do with that program crop it is also very important that he knows what the program is so he knows what his set-aside is and knows what other intricacies might be involved.

What we would suggest is that the program is declared in the October/November area of each year and is stuck with it.

This allows the grower adequate time to make fertilizer, lime, and cropping decisions at an early date.

A grower will be able to evaluate the benefits of a contract crop early enough to make intelligent decisions about how it will fit his operation.

Contracting companies will also be able to develop their contracts early enough without fear of being caught by a twist or addition to the farm program in February and March.

The third point is awareness of programs for nonprogram crops. In late February of last year, we became aware of a little-known provision in the farm program that could have had a large impact on popcorn production, as well as other nonprogram crops. The problem is the directive was delivered on December 2 to the ASCS offices and apparently buried into their files.

It was designated as notice PA-1258, and stated basically that:

> Using Other Non-Program Crops for Credit Towards Planted and Considered Planted. For 1989, other nonprogram crop acreage up to 20 percent of the permitted acreage may be credited towards planted and considered planted if the producer grew at least 50 percent of his field corn or did not designate CU acreage for pay under the 0/92 or 50/92 provision.

With our inquiries to the ASCS office about the proposal, no one was aware of it until we pointed out the notice number that was given to it, in which case they did dig it out of their files and they read it, and they all agreed it was part of the program.

The discouraging thing is that 3 months had elapsed from the time that it was officially written into the policy before anyone knew about it, even major ag news services and periodicals had very little reports on the provision.

We would suggest the development of mailing lists of contracting companies that deal with nonprogram crops that would be interested in hearing provisions on the Farm Program.

We would also like to have news releases that deal with nonprogram crops and their relationship with the Farm Program.

And include contracting companies in policy discussions as how the effect of proposed legislation would affect specialty and nonprogram crops.

The benefits are very obvious. It would raise awareness, and the knowledge, and the information would promote program benefits and understanding to all growers and contracting companies.

Allow all growers equal access to legislative information to benefit equally from its results.

And promote farm programs so that they are being utilized to the fullest.

The fourth area is very brief. Treat nonprogram crops alike. We feel it is vitally important to treat all nonprogram crops equally in respect to cropping status concerning the farm programs. To involve certain speciality crops in one program and not others could be devastating to prices or amounts produced, depending on which side of the fence that they were on.

Thank you.

[The prepared statement of Mr. Hacker appears at the conclusion of the hearing.]

Mr. JONTZ. Thank you. Please proceed.

STATEMENT OF DAVID D. KUK, EASTERN REGION MANAGER, INDIANA GRAIN DIVISION, INDIANA FARM BUREAU COOPERATIVE ASSOCIATION, INC.

Mr. KUK. Good morning. My name is David Kuk, eastern region manager, Indiana Grain, a division of Indiana Farm Bureau Cooperative Association, Inc.

Thank you for inviting our cooperative to testify before the House Agriculture Subcommittee on Wheat, Soybeans, and Feed Grains.

Our cooperative system is owned by over 60,000 farmers and we, as a cooperative provide farm inputs and markets grain for 8 out of every 10 farmers throughout the State of Indiana.

The Food Security Act of 1985 has been important legislation in improving the health of our farm community, as well as improving the financial condition of the infrastructure that supports it.

The ability of our farmers to compete and succeed in a world market is tied heavily to U.S. agricultural policies. At times, these policies have been restrictive, as was the case in the late 1970's and early 1980's. More recently, through the 1985 farm bill these policies have been conducive to enhancing the export opportunities for American farmers.

With the success of the Food Security Act of 1985 also comes some concerns. Few people would question that worldwide demand for foodstuffs is growing. The central question then becomes, "Which countries' agricultural policies will allow their farmers to meet this demand?"

If the United States is to meet this demand, some changes to the Food Security Act of 1985 will need to be explored. The changes will need to be addressed in the following areas.

First, we are concerned that too many acres are being idled in the Conservation Reserve Program at a time when world demand is growing.

Second, we believe that the 1990 farm bill should include planting flexibility for our farmers. Planting flexibility that allows them to respond to market factors rather than specific program crop policies, while at the same time allowing them to participate fully in program benefits. The risk/reward ratio between various crops must be brought more into line.

Third, we believe supply side management through acreage set-asides should be a last option in our tool chest of farm policies, not the first.

Finally, we believe that the 1990 farm bill must enhance the market environment which allows our farmers to sell their products in the world market and, consequently, success in their farming endeavor.

Congressman Jim Jontz, we are very appreciative of the opportunity to share some views with you and your committee. We are convinced through forums such as this Congress will reach a consensus from the various interested parties which will culminate in a successful 1990 farm bill.

Additionally, Congressman Jontz, your visibility within the farming community of your district, as well as your visibility with the interested parties of the infrastructure of farming, certainly does not go without notice. Our cooperative is appreciative of your interest and to the understanding of our views.

Thank you.

[The prepared statement of Mr. Kuk appears at the conclusion of the hearing.]

Mr. Jontz. Thank you. Mr. Johnson.

STATEMENT OF ROY M. JOHNSON, PRODUCT MANAGER, EDWARD J. FUNK & SONS, INC., SUPER CROST SEEDS

Mr. R. Johnson. Thank you. I would like to thank the committee members for this opportunity to testify today and appreciate the interest shown in hearing from constituents.

Briefly, I will give some background on the trade group and the organization I represent and then address two key issues to be covered today.

The specific trade group I'm speaking for primarily is the hybrid seed corn industry. Our industry develops, produces, and markets the seed that farmers plant in producing our Nation's corn crop. With 70 to 75 million acres of corn planted, the total market for hybrid seed corn in the U.S. is approximately 25 million units. One unit plants approximately 3 acres of commercial corn. Total sales for the hybrid corn industry is approximately $1.5 billion. Approximately 50 percent of this market is comprised of 10 companies. The remaining 50 percent of the market is shared by some 200 small and mostly family owned companies. The organization I represent, Edward J. Funk & Sons, is in the top 10 category with about 3 percent market share. Therefore, the company I represent is a significant player in the industry but is by no means the largest. We represent "a middle of the group" organization in terms of size. Additionally, the organization I work for is owned by British Petroleum's nutrition group, which also includes Purina Mills here in the United States. Edward J. Funk & Sons' primary business is hybrid corn. The overall point being my organization has a significant interest in U.S. agriculture.

The objective I have in this testimony is to impart two viewpoints. These involve the inclusion of seed corn production acreage as a program crop and crop utilization research.

The first issue deals with the continued inclusion of seed corn production acreage as a "program crop." During the spring of 1989, an effort was made to exclude seed corn production acreage from receiving deficiency payments. Due to the lateness of the action and lobbying on the part of the seed trade, this decision was not made. The seed trade, and specifically hybrid seed corn producers, want seed corn acreage to continue as a program crop. The reasons for this are as follows:

First, seed corn contracts are based on current market prices for corn. If prices are below target, the farmer should be entitled to the deficiency payment just as he would be for growing his commercial corn crop. In essence, we as companies contract and compete with commercial corn and the Government program. We as companies and contractors do not receive the payment.

Second, to eliminate the deficiency would force companies to augment their contract production by making up this dollar differential. The total added cost to the seed industry is estimated at between $50 and $125 million and, therefore, the added cost of seed corn sold to the farmer as a consumer could rise by $2 to $4. In essence, the farmer in a roundabout way, would be paying for the deficiency through increased costs of their seed corn. We feel this is not fair and as long as Government price support programs exist, we feel seed corn acreage should be included.

We would support the "triple base" concept if the optional crop portion included "seed corn acreage."

As a final note, if any change is made in the seed corn acreage area in the program—this change should be communicated to the local ASCS offices as soon as possible or in essence, by January 1990. And as my colleague from Weaver Popcorn mentioned, in contracting it is vital that we know these things prior to going into our contracting year, say in January, February, and March.

A second issue that we see as critically important to U.S. agriculture is to develop, create, and enhance our markets for corn and soybeans both domestically and internationally. We see two important areas under this topic.

First, we feel strongly the export enhancement programs are very beneficial. Any action to make U.S. oil and feed grains more competitive globally is crucial. This program appears to be working and should be supported in future legislation.

Second, we feel funding of research at land grant universities oriented toward corn utilization should be a priority. Outright funding of worthwhile projects would be ideal, plus the possibility of "matching" funds from USDA for projects supported by trade or industry groups should be considered. Utilization research would benefit the farmer and my industry and ultimately, perhaps, reduce the need for price support and acreage reduction programs.

Areas of specific focus would include: Cornstarch based biodegradable plastic products and fuel ethanol. While the parent company of my organization would to most people appear not to favor this proposal, it is quite the contrary. We feel investigating and utilizing renewable resources and practicing environmentally sound principles are both economically sound and responsible when looking long term.

In conclusion, retention of the seed corn acreage as a program crop and emphasis on crop utilization research and export enhancements are viewed as important issues for the 1990 farm bill.

I appreciate this opportunity to make these viewpoints known. Thank you.

[The prepared statement of Mr. R. Johnson appears at the conclusion of the hearing.]

Mr. JONTZ. Thank you. Mr. Yantis, let us go ahead with you and then we will take Mr. Johnson.

STATEMENT OF BEN O. YANTIS, PRESIDENT, YANTIS IMPLEMENT & YANTIS FARMS, INC.

Mr. YANTIS. Thank you for the opportunity of coming this morning, Mr. Jontz. My name is Ben Yantis, and owner of Yantis Implements & Yantis Farms. We specialize in selling farm equipment to harvest seed corn and popcorn and then our farms consist primarily of popcorn for Orville Redenbacker, so we know what the popcorn deal is about.

Anyway, I am of the old school I guess. I feel the supply and demand is one of the best routes to go and if we phase out support over a few years and then phase out surpluses at the same time, I feel most farmers prefer to be managers, not munchers. To me, I like to work hard, I like to make up my own ideas and have my own plans rather than somebody dictating to me what I am going to do.

All these Third World countries, Europe and all, they figure that we have a real utopia here in the United States and we do have, but I am willing to take a little bit less and in the long run, I think the United States will stay strong rather than—there has to be a limit on how much we can give away. And the only true utopia is heaven which I am looking forward to one day and that one is free. But to keep this United States, we need to cut back on all programs and I am willing to take my fair share in a farm program.

Even the best laid plans have flaws sometimes. I found out the hard way through life. And I like the idea that was mentioned earlier about flexibility and I feel, if in fact, the worst scenario, that the farm prices would happen to fall drastically, you can always subsidize the exports at a minute's notice and it would be fast. It would not involve so much personnel. Personnel, if you have a lot of that in your farm programs, that takes money that does not go to the farmers so I think as a last minute resort, you could always resort to subsidies on the exports.

The reason I am in the implement and farm business, I enjoy the challenge most of the time.

Thank you.

Mr. Jontz. Thank you. Now, Joe Johnson.

STATEMENT OF JOSEPH A. JOHNSON, GENERAL MANAGER, ERNY'S FERTILIZER SERVICE, INC.

Mr. J. Johnson. Congressman Jontz, Congresswoman Long, my name is Joe Johnson. I am general manager of Erny's Fertilizer Service located in Walton, Indiana. Erny's is a privately owned and operated fertilizer business, it has been in business about 35 years, and it looks like I am the only fertilizer dealer on the panel except for the IFBCA, and I am glad to be here today.

My viewpoint is strictly that of the fertilizer dealer. We manufacture and sell liquid and dry fertilizers, custom apply those to the farm acres. We also sell agrichemicals, which are custom applied and sold directly to the end users, the farmer.

I have had the privilege to be involved in the new organization called NARA, National Agri-chemicals Retailers Association, and I really did not have an idea what effect the 1990 farm bill was going to have on me until Mr. Buice called me. I had not really thought about it. And since then, I have eaten four meals a day and my wife is complaining and everything about this meeting, but I know I will get through it. The 1990 farm bill as it is going to affect me personally as a fertilizer dealer as an agribusiness person—I believe that from the fertilizer industry, we would like to see the Government slowly phase out of the agricultural business, out of the farming business.

There are two or three issues that affect us directly and a few of them have already been touched on this morning. As a fertilizer dealer, I am definitely opposed to the 0/92. If they do not plant, I do not sell and that is a reality on Fridays so I am opposed to 0/92. I think the CRP program could pick up that slack where it is needed.

I guess most of the buzz words that you read in magazines and what come across my desk everyday are ground water, food safety, and LISA. They affect me directly. Ground water—the court is still out on ground water. The finger has been pointed at us as being major polluters as well as the farmers. I do not believe that in fact but I know the EPA is doing a national pesticide survey which is underway now and the results will be in in 1990 and I guess I am in favor of not—not legislating environmental issues with the farm bill. Let the farm bill be a farm bill and let us legislate environmental problems separately.

Food safety is a common buzz word. I think food safety is covered under the FIFRA Act and I guess most importantly is my favorite girlfriend LISA. There has been a lot of things said about low input sustainable agriculture and nobody has yet to tell me exactly what it means, how it is going to affect my life as a fertilizer dealer, and I hope that you can handle that someday from Washington.

But I also believe that my farmers, the end users that I deal with everyday are using the low input sustainable agricultural practices today. We are good stewards of our land, air, and water and I believe in the people that I take care of. And I again thank you for the opportunity and I've enjoyed being here.

Mr. JONTZ. Mr. Chairman, I really do not have any questions. I do want to appreciate everybody for their statements and some particular problems were pointed out with regard to the seed corn industry and also regarding the nonprogram crops which I think are very important for us to be addressing in Washington and we appreciate everybody's appearance here this morning. This is going to be helpful to us so thanks for your statements.

Ms. LONG. I also want to thank you for your statements. We have heard several people today mention the cost of agricultural programs and certainly as a Member of Congress, one of my priorities is to be a responsible spender of America's tax dollars, but I do want to make the point that the cost of the farm program is relatively inexpensive when one considers what all we get in return for the farm program. Direct farm subsidies fall somewhere below 1½ percent of the total Federal budget and I do not think that is very much when you consider that we are able to produce food at the lowest cost relative to consumer income here in the United States.

Yes, we all want to reduce the cost of the farm program. We do think it is important to keep in perspective how little the farm programs cost relative to other programs and we consider what an important export commodity farmers are producing and the fact that we do produce food very cheaply for the American consumer. I just want to make sure that gets included in the record today as well.

Mr. GLICKMAN. Thank you very much, Jill.

I am curious, Mr. Hacker, how is the popcorn business? I mean the reason why I ask is because I know that popcorn has been I think actually touted in recent years as a health food and I just wonder if there is a growing market for producers in popcorn in this country?

Mr. HACKER. Popcorn has sustained a very steady growth really since it began its production. We have with the advent of the microwave popcorn that started in 1984–85, that has been the fastest growing food item in the grocery stores. That is increased fivefold in the last 3 years.

Mr. GLICKMAN. Microwave popcorn?

Mr. HACKER. Microwave popcorn or popcorn sold in microwave packets. There is now more dollars sold in that. And so—and as you stated, popcorn is a very nutritious food. It is low in calories, it is high in fiber, and we are a very health conscious society and so that fits very well in that light.

The export markets have been steady but we also feel that there is great opportunity, probably 90 percent of all the popcorn produced is consumed in the United States and the world market, we feel, has a vast amount of opportunities in the future so we are very positive about the popcorn.

Mr. GLICKMAN. I notice you list Ulysses, Kansas.

Mr. HACKER. Yes, we have a complete facility in Ulysses, Kansas so we are producing in the Ulysses area and the surrounding States, Colorado, Nebraska, Texas.

Mr. GLICKMAN. I am just curious, you do not use any palm oil or coconut oil in your popcorn, your microwave popcorn, do you?

Mr. HACKER. The majority of the oil, in fact, all of the oil in our microwave is soybean oil. [Laughter.]

Mr. GLICKMAN. Good. I want you to know we do not prime our witnesses.

I know that popcorn does have a good nutritive fiber content and I think it is a potential growing staple snack food certainly for a lot of folks who could use that as opposed to other things that might not contribute to their health. It would be interesting to watch this in the future.

One other comment, Mr. Johnson, I would say I know—I understand your frustration about environmental concerns. I believe that there is no way to keep them out of next year's farm bill. I think you probably know that. What we have to do is to make sure that they are sensible, that they are common sense. Most producers want as much to have a sound environment as most people who live in urban areas because they are the ones coming into closest contact with chemicals, herbicides, pesticides, and so hopefully we can have kind of a cooperative relationship and discussion between chemical companies, producers, and environmentalists and not get into a real polarizing game. With ground water and with other issues, I just do not see how we—we are kind of able to keep them apart from each other. I know you are now involved in your national organization so I assume you will be an active force in making sure they are sensible.

Mr. J. JOHNSON. Hopefully, we can work together.

Mr. GLICKMAN. Sure. Thank you all very much for testifying. I appreciate it.

The next panel is a panel of—it looks like we have farm organizations on this panel, Mr. Larry Boys, president, fifth district, Indiana Farm Bureau; Mr. Charles Fear, Fulton County Farmers Union, president, Indiana Farmers Union; Mr. Larry Erb, vice president, Indiana National Farmers Organization; and Mr. Dwight Plank, director, State executive committee, Indiana Grange. We are delighted to have you all here. Your organizations have been most helpful to us in Washington and we would deal with these issues. And in any event, we will start with Mr. Boys and go down the line, gentleman, to your left. As I said before, your entire statement will appear in the record so we appreciate very much your coming down here today.

Mr. Boys, you may begin.

STATEMENT OF LARRY V. BOYS, PRESIDENT, FIFTH DISTRICT, INDIANA FARM BUREAU, INC.

Mr. BOYS. Thank you very much. In the interest of time, I will try to scan my testimony and hopefully emphasize the key points. I will try not to get lost. I am still trying to get used to these new bifocals.

Thank you for the opportunity to testify. My name is Larry Boys, owner and operator of a dairy farm in Miami County. I farm 300 acres and have 100 milking cows.

I want to thank Congressman Jontz and Congresswoman Long for their efforts on behalf of Indiana farmers and Congressman Glickman for coming to Indiana to hear directly from farmers. I feel it is important that you get outside the beltway there in Washington, D.C., and get some testimony from the real world.

I am here today representing the Indiana Farm Bureau, a general farm organization in Indiana. Four out of every five farmers belonging to an agricultural organization are members of the Farm Bureau.

Overall, farmers in Indiana have been satisfied with the 1985 farm bill. It has moved us in the direction of a more market-oriented agriculture and has helped us become more competitive for markets abroad. Our domestic grain stocks have been reduced significantly.

Looking to 1990, the farm bill that will start us through the next decade, we feel it is important to stay on a course that will move us closer to our goal of a market-driven and market-oriented agriculture.

There are several reasons for this, Mr. Chairman, but the primary reason is one of the future opportunity for agriculture. If we are not competitive for international markets and we choose in 1990 to encourage production through artifically high Government prices, while limiting acreage, then we run the risk of reducing corn production by one-third and soybean acreage by one-half in the State of Indiana.

We will need a farm bill for the 1990's that has flexibility from a production standpoint as well as flexibility from a marketing standpoint.

If the 1985 farm bill falls short in our view, it is in the area of flexibility. We need to be able to shift more easily from one crop to another to fit current market needs than we are now able to do. For example, soybean acreage has shifted in recent years because the current program encourages farmers to plant corn even when the market signals for increased bean acreage. Most farmers will not sacrifice corn base acres even when bean prices are higher. One of the biggest challenges of the 1990 farm bill will be to provide flexibility without negatively impacting nonprogram crops.

Our major problem as farmers is not domestic competition today but international competition. Like it or not we are part of a very active world economy and the self-reliance of being able to provide all of our needs domestically is only a myth. We recognize that we do not farm in a vacuum. Many factors affect our opportunity for profitability. Farm policy must take into account global political and economic forces but we must be given opportunity to compete with foreign producers.

It is important that farm program legislation not be held hostage in 1990 to talks involved in the GATT. There has been talk in some quarters that we should either delay or extend current legislation for 1 or 2 years to see what develops under current trade talks. We feel that this would be very harmful to U.S. agriculture if this were allowed to happen. As a leading exporter of food and fiber in the world, we feel it is important to move forward with a farm bill that lets our trading partners around the world know that we mean to continue as the leading agricultural exporter. We need to press hard in the GATT for the reduction of trade distorting subsidies and the elimination of market access barriers. We must be allowed to compete on a level playing field. If our competition is fair, I believe that we can compete with anyone.

The budget and taxes are two very important factors in the farm program legislation. Farm program costs have been declining from some $26 billion in 1986 to around $14 billion this year. However, as farm program costs decline, balancing the budget should not be at the expense of farmers alone or any one group of farmers.

I want to close with and emphasize a statement made by American Farm Bureau president, Dean Kleckner, before your committee in Washington last month, concerning the environmental considerations in the 1990 farm bill and I quote, "Our first concern is with the opportunity to produce. If the environmental provisions of the new bill are so restrictive that farmers and ranchers lose the opportunity to use the resources they control, then the farm bill will be a failure, regardless of other provisions they may contain."

Farmers are good stewards of the soil. It is our livelihood but we must be given the flexibility to use wisely the resources we own to continue the abundant high quality production of food and fiber that benefits us all.

And again, thank you very much for this opportunity to testify.

[The prepared statement of Mr. Boys appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you, Mr. Boys.

Mr. Fear.

STATEMENT OF CHARLES R. FEAR, DISTRICT 1 COMMITTEE MEMBER, INDIANA FARMERS UNION

Mr. FEAR. Thank you and good morning. I am Charles Fear, Fulton County Farmers Union President and district 1 committee member of Indiana Farmers Union. We are a general farm organization serving nearly 300,000 farming and ranching families across the country. I appreciate the chance to be here this morning. My statement offers Farmers Union's farm bill suggestions coming from the 87th annual convention held last March in Little Rock, Arkansas.

I was a delegate at this convention and feel very strongly that we stand for the sustainability of family farms whether we are discussing commodity programs or the best stewardship of our soil and water resources. The single best thing we can do to encourage good resource stewardship practices is to give the farmers the realistic hope of passing a profitable farm operation down to the next generation.

The National Farmers Union stands for a simplified and more direct program that returns to the goal of assuring producers a reasonable livelihood by providing price and income protection on a family farm level of production.

Wheat and feed grain bases should be established by units of production sufficient to meet our domestic, export, and reserve needs.

Farmer-owned reserves should be used to prevent shortages. On-farm storage should be paid the same as commercial storage.

A cost saving measure for farm programs would be to target programs to reach only the intended beneficiaries. We would prefer a marketing plan that concentrates on supporting the family farm system of agriculture over a plan that calls for supporting a percentage of all farmers' production.

Secretary Yeutter's preferred way to balance the agricultural budget seemed to be to reduce farm income dollar for dollar saved in the budget. We do not believe that raising loan rates alone will cause disaster for the one-quarter of agriculture's cash receipts that come from exports. We believe that low prices are the problem, not the solution. Loan rates should be raised to current market price levels or, at the very least, the Findley provisions should be repealed.

We support crop insurance but cannot advocate an end to disaster programs until more coverage is available on more crops in more places. For crop insurance to ultimately replace disaster programs, there must be at least one catastrophic coverage option that performs the same function of providing for lost income. We advocate a permanent catastrophic loss pool and recommend increasing available coverage by raising yield options and covering production costs. Subsidy levels should be increased, or at least made the same across coverage levels.

Environmental issues must be addressed in the 1990 farm bill. CRP could be used as a last resort for land on which the soil type is too sandy to allow any type of chemical use without leaching into ground water and for which nonchemical alternatives are not feasible.

What makes the cross-compliance, sodbuster, and swampbuster provisions effective is the fear of losing program benefits. If program benefits are removed in any way, we are virtually guaranteed that marginal land will be kept in production.

Simplify the farm programs but do not simplify by eliminating them.

Work with existing programs by:

First, simply making payments based on units of production instead of acreage would not only allow USDA to predict programs costs with a greater degree of certainty, it would allow farmers to farm using crop and field rotations that make sense for their operation.

Second, allow producers a one-time opportunity to prove actual yield.

Third, farmers should be able to enter into long-term rotations with such crops as alfalfa or legumes without violating sodbuster requirements and without losing base.

More research and education is needed on water quality. There is a need for a balance between incentives and penalties, conservation goals, and production needs.

We need to develop practical low-input and nonchemical alternatives for more commodities, not just to protect ground water and lower farm input costs, but to decrease the potential for pesticide residues remaining in our food.

We need a fully staffed Food Safety and Inspection Service, close cooperation among USDA, EPA, and FDA, and we need a farm bill that demonstrates a commitment to sustainability.

We are concerned that the GATT agreement to harmonize health and safety standards means lowering our safety standards at the same that foreign levels rise.

The National Farmers Union is deeply concerned that the United States is allowing the agricultural export "tail" to wag the domestic farm policy "dog." Export is only 20 to 25 percent of cash farm receipts, and exchange rates, global unemployment rates, weather, and other economic and social factors over which Congress, USDA, and other trade negotiators have no control could easily lay asunder the best laid export plans. Farm programs are, by necessity, primarily domestic policy tools, and we object to their characterization as "trade-distorting subsidies."

USDA's efforts to administer the domestic farm programs established in 1985 as tools of foreign policy has caused an outward migration from rural America and left Congress working to pass rural development legislation in an effort to revive and repopulate our rural areas.

Secretary Yeutter suggested that taxpayers may not be willing to continue paying high levels of farm subsidies. He may be right, particularly as taxpayers realize how much of their money has gone to multinational grain traders who were already posting record profits to help them regain market share. It is true that we have spent more money on farm programs in the last 8 years than in the entire history of farm programs. But, many of those payments helped farmers to keep paying their creditors during a time when the market value of their crop was being driven down by the Government.

USDA's failure to understand the willingness of our competitors to fight for markets has led to a tremendous escalation of export subsidy costs. International negotiations should begin immediately in two areas. First, we must negotiate with debtor nations in the Third World to reduce their debt in exchange for economic reforms that will improve their people's standard of living. Second, for existing markets, international negotiations should take place to achieve long-term agreements on agricultural production and prices in exchange for fair trade.

There are several other areas which ought to be addressed in the 1990 farm bill if they cannot be resolved this year. Domestic hunger, rural development, agricultural credit, research into industrial uses for agricultural commodities, extension service activities, grain quality standards, and reform of the Packers and Stockyards Act are just a few. National Farmers Union looks forward to working with this committee on these as well as others in the 1990 farm bill.

Thank you, Mr. Chairman. I would be happy to answer any questions that you or members of the committee might have.

[The prepared statement of Mr. Fear appears at the conclusion of the hearing.]

Mr. Glickman. Thank you very much, Mr. Fear.

Mr. Erb, it is a pleasure to have you.

STATEMENT OF LARRY F. ERB, VICE PRESIDENT, INDIANA NATIONAL FARMERS ORGANIZATION

Mr. **Erb**. My name is Larry Erb. I farm at Route 2, Box 84A, Remington, Indiana. I am vice president of Indiana National Farmers and a member of the board of the National Farmers Organization.

Mr. Glickman, Chairman, I want to thank you for coming to Indiana. A year and a half ago at the board meeting in Iowa, you promised me you would be here and you are here. You are a man of your word. Last fall, you and Mr. Jontz promised us that you would get a bill through to allow the farmers to prove their yields. You have done that already. You are a man of your word on that.

Mr. **Glickman**. I want you to know this is the man who did it [Indicating Mr. Jontz].

Mr. **Jontz**. I helped.

Mr. **Erb**. So we do have Congressmen that do what they say and remember their campaign promises.

The one thing I want to impress on you today is that the 1985 farm bill is not the answer that some claim it to be. It was a bill that was written by the grain companies, for the grain companies, to benefit the grain companies. It is a bill to subsidize the users of grain, not the growers of grain. The foreign users of grain benefited more than the American farmer. I have seen in the press that Russia bought their first year of supply under the 1985 farm bill wheat, a total year's supply, the average price was $1.37 a bushel. I do not think we can afford a bill like that, that subsidizes the users instead of the growers. First the 1985 farm bill has provided for the U.S. Department of Agriculture to become the major determining factor in setting the price for farm commodities in the market place. Commodity certificates, CCC sales catalogs, direct export subsidies, and the release of farmer-owned reserves have all played a significant role in affecting market prices. Now that these prices have been driven down to a low level, we have to limit the subsidies because of budget considerations.

These lower prices now are the expected prices, for our crop. We now argue over whether to lower to this level or that level, how far are we going to go. The free market people are now calling for flexibility and they forget that the free market can call for more of a crop any time that it raises the price up high enough to entice the farmer into growing it. That is what the free market is all about, enticing the farmer to grow what they want. But instead, these same people seem to want to force the farmers into growing more of these crops without raising the price level.

We need to raise the support level on corn, soybeans, and wheat and lower the deficiency payment so that the market pays for the grain instead of the Federal Treasury. This will solve the budget problem very painlessly for all concerned. At the same time we need to change the farm production base to a farm bushel or poundage base with price supports limited to the established bushel or poundage base for the farm. The farm production base could then be adjusted up or down from one year to another on a national production goal for each of the commodities. This would provide much greater planning flexibility since the producer would not have the concern of base preservation and the farm's program benefits would not be measured by the number of acres planted. This would cut the incentive to increase average acreage yields through heavy chemical application, thereby giving a favorable environmental impact. The cost would be limited to the price support on the bushel or poundage base for the farm. This will be a much simpler program to administer and understand. What we need is a program to benefit the farmers.

One thing that seems to be out of place is the high storage rate paid to commercial grain farmers. This rate has been raised at the same time that farmers supports have been lowered. This rate should be no higher than the rate paid the farmer. There should be no in or out charge paid to commercial grain handlers unless it is paid to farmers. Farmers have higher costs involved in handling and storing grain than do the bigger elevators, but are paid only one-third as much as the commercials. With this lower rate for storage paid to commercials, maybe the grain and feed dealers would not be as interested in a grain program to raise a surplus of grain for them to store. This lower rate would save a large amount, inasmuch as one-third of the budget for the farm program has been paid to the grain trade, for storing surplus grain and subsidies to export the grain for about one-fourth of the cost of growing it. Also, it has been my experience that this grain spoils much of the time, and after this spoilage, it is blended into the grain that the farmers have taken so much time, labor, and money to grow, thereby ruining all of this effort. I was by one of these temporary grain storage sites as it was being emptied and the stench was worse than any pig lot that you could imagine. This "grain" was being blended into good grain to contaminate all of it. I was by another last week and it smelled worse than any corn that I ever smelled from a farm. I was told that it was only 15 to 20 percent spoilage. Of course, this will be blended into good new corn this fall as it comes in from the field as perfect as nature can produce it, to ruin it all.

Of course, the one thing that could really help family farmers would be a Secretary of Agriculture that is an advocate for them instead of an adversary. Every time that the price of grain starts to rise something happens, like a report that is very disruptive to the markets. Maybe this is just coincidence, but farmers have had an awful lot of coincidences the last few years. The enclosed editorial by Jack Anderson helps explain what I mean.

Last year when supply was being curtailed very sharply by the drought in late June the CBOT raised the margin requirements twice in 1 day and then removed the limits for the grain contracts on the same day. This signaled the markets that this was as high as the price would be allowed to rise. After this the market varied but never went any higher. This year when the price started to rise because of demand, and Ferruzzi bought grain to fulfill demand, they could not get them to sell as easily as they had as much money as the other traders and could not be forced to liquidate with the usual maneuvers, they just called for them to liquidate their contracts to break the market, which it did. To add insult to injury Secretary Yuetter applauded the action immediately. The selling of future contracts by the large grain companies who offset Ferruzzi's position is negative to the market and if companies can do this without having the grain and without the threat of having to deliver it, they will have a foolproof method of deflating the markets so they can purchase supplies cheaper. The only way to keep commodity exchanges fair to both buyers and sellers of futures contracts is to have sellers first fully understand they must be able to deliver the product. The unchecked short selling of grain on the CBOT makes the supply limitless. The Board can only be an effective determinant of prices if the Board supply is proportional to the actual supply. Ferruzzi is not the bad guy here. The short sellers and the CBOT, by virtue of their actions, are the real culprits and should face the situation squarely.

I want to bring up the fact that the family farm is the most productive system ever devised and we want to preserve it. The U.S.S.R. has destroyed their system and they are paying for it over and over. The enclosed story from the Farm Journal very adequately describes their situation. I think that is something to ponder.

And another thing I wanted to bring up. I did not get this in time to get it into my written testimony. I just found out what it was and called for it. Tom Bius got it to me in a week which is very fast. It is the cost of production in 1987 from USDA and it is ordered to be printed by Congress with the facts in here to completely refute all these stories about how high farm income is. We heard a story about we had record high farm income, from the dean of Purdue, in 1987 and yet I go through here and the farmer lost money on corn, he lost money on oats, he lost money on wheat on the average acre produced. These are the figures. He made $10 an acre on soybeans. Well, I do not know how you get record income, on $10 an acre on soybeans. What he is using is a net cash income figure. This is a very specious figure. We do not know what is put into it for the cash income but we do know that the cash expenses are all that is taken out. Cash income can be the grain, it can be—sometimes they use the figure for the use of the house on the farm, the use of the garden, the use of the wood lot, animals slaughtered. I do not use any of these and I pay for my own house. But the cash expenses, we do know when they only take out the cash expenses, that is only 60 percent of the actual expenses according to these USDA figures, it ranges between 60 and 65 percent. The other 30 to 35 percent or 35 to 40 percent is the cost of replacement of tools that you were asking about, Congressman Jontz, and the cost of the land and they are not including this in. When you include this in, there is no profit. You go into a loss. And they called this a net cash income at first, then it becomes net income, and then it becomes income. And the papers are calling that income now of $57.7 billion of record income. Where does it come from? It is printed in red because everything in here is a minus figure.

Thank you.

[The prepared statement of Mr. Erb appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much. Mr. Plank.

STATEMENT OF ALBERT DWIGHT PLANK, DIRECTOR, STATE EXECUTIVE COMMITTEEMAN, INDIANA STATE GRANGE

Mr. PLANK. Mr. Glickman, Ms. Long, and Mr. Jontz, the sentiments of the Indiana State Grange.

The farm bill should not wait till after the Uruguay Round as farmers should know what directions farm programs are going, so they can plant crops accordingly. We recommend to keep the 1985 farm bill with these changes.

Small farmers say it is not right to not have more than one small set-aside plot less than 5 acres. This penalizes the small farmer because if he has small fields and may have wheat and corn planted, he would not be able to set aside in each field even if these are across the fence from each other. But a large farmer takes his fences out and can have his plot anywhere. Some think the Government should ease out of ag as exports increase the farming industry receives 1 percent of the Federal budget. The farmer spends much more than they receive compared to the other government subsidized businesses.

Marginal ground with erosion—CPR land—should be kept in this program but be allowed to raise timber for pulp wood as there is a shortage of this material on this kind of land.

The Food Security Act of 1985 met its major objectives and should be kept with its current changes.

Swampbuster—wetland. We believe small plots of less than 1½ acres should be allowed to be drained without being penalized. There should be more flexibility in cropping such as planting another crop in demand like tomatoes, pickles, canola, oats, soybeans, and so on without losing your base. At present you are forced to raise a full base with set-aside or lose a percentage of it.

And good old LISA needs more research on perforation rate before the rates of chemical uses can be regulated. I do not believe it is possible to eliminate them completely. We will need more testing of wells and our water source. I think there should be—this is off the record—less scare tactics being used like where was it I was reading where you could eat 28 million bushels or thousands of bushels before you got enough chemical to maybe cause you to have cancer, something like that. I think this is way out of line. I mean they blow it out of proportion, just like the cranberry scare several years ago.

The grange supports the Marketing Loan Program as a replacement for the present Commodity Program. A modified version is contained in the 1985 act for cotton, rice, and honey—also for wheat and feed grains at the discretion of the Agriculture Secretary. We believe this program should be applicable to wheat, feed grains, and soybeans. In fact, it could be more effective as a "pure marketing loan."

The marketing loan is a new concept for the Commodity Loan Program by which farmers who place their crops under loan with the Commodity Credit Corporation would repay their loan at the original loan level, or at a level that has been determined by a set formula of domestic or world market prices, which is lower. The other difference between a "pure" marketing loan and a regular loan program is that a "pure" marketing loan is a recourse loan that must be paid back whereas a regular loan is a nonrecourse loan that the farmer can repay by abandoning the crop to the CCC as full payment.

Listed below are many of the benefits of the Marketing Loan Program that appeal to the farmers, export interests and the Government:

The formula would allow U.S. commodities to be competitive on the world market.

The repayment formula will maintain an adequate income support for producers.

A marketing loan will allow the market to clear by eliminating the market-interfering aspects of the current program.

It will reduce the need for supply management programs but when such a program is necessary, it removes the incentive for our competitors to expand their production because we will remain price-competitive, thus encouraging our competitors to share in our effort to adjust production when surplus commodities exist.

The marketing loan will avoid the Government's programs of storing surplus commodities which become costly to store which may ultimately reduce prices.

And I also feel like our panel here that the grain terminals should not be paid any more than the individual farmer is paid for grain storage. It is simply not fair to pay different prices for the same services.

Sincerely, Dwight Plank, Indiana State Grange executive committeeman.

[The prepared statement of Mr. Plank appears at the conclusion of the hearing.]

Mr. **Glickman**. Thank you very much.

I want to thank all the panelists for their excellent statements. I will just make a couple of comments. One, Mr. Fear, I agree with you totally all of the things you said but one thing is this problem with planting alfalfa under legumes and violating sodbusters. This is a problem we need to take care of in the 1990 farm bill. Responsible cover crops ought to be able to be planted without violating sodbusters, you are correct. The ASCS offices have worked with farmers in my state to deal with this problem. I do not know if——

Mr. **Fear**. Yes, they have worked well with it.

Mr. **Glickman**. We need to clarify it because it did not make a lot of sense and it has caused a lot of grief.

One point on food safety, a couple of you mentioned it. It is interesting to note that fish is not required to be inspected. We are going to change that in the 1990 farm bill. I want you to know that. We are working on that. Congressman Stenholm of Texas, who chairs the Livestock Subcommittee and I have been working on it. Most Americans do not know—their meat is inspected but they think that their fish is inspected—well, while most fish is safe, it ought to be subject to health and safety inspections like meat is. We are probably going to do that in next year's farm bill as well.

Mr. Erb, I appreciate your testimony too, and I think it offers a good perspective at these hearings. You know a lot of folks do not necessarily agree that the 1985 farm bill was Nirvana, heaven on

Earth. I think what you end up finding is most farmers like parts of it, do not like other parts, but do not want us to kind of unilaterally say that whatever happens in the Uruguay Round will automatically determine what our next farm policy domestically is going to look like. We are not going to let that happen. I can tell you that. We are going to act independently based on what is in the best interest of American farmers and hopefully work out some world agreements as well but still not be bound by something that unilaterally disarms American farmers, so I appreciate your comments as well.

Mr. Jontz.

Mr. Jontz. Thank you, Mr. Chairman. I knew we could count on this panel to get to the heart of some of the issues.

We heard State Representative Leuck earlier talk about setting target prices and loan rates in a way that would allow the producer to meet the cost of production and reasonable living expenses and make some profit. And it is pretty hard to disagree with that recipe. If we were producing just for domestic consumption which Mr. Fear points out is 75 percent of our production nationwide that would be a pretty simple matter. But as Mr. Boys points out at the same time if we want to have a fair price for producers, we have to compete in the international markets and we can pursue that by trying to reduce the prices here so that we can compete internationally or we can try to get world prices up so that our prices are not that much different.

Let me ask you to respond to that observation. Should we be taking some steps to try to get world prices up and if so, what can we do? Do any of the four of you have any thoughts on that?

Mr. Erb. Congressman Jontz, it has been my experience in the past that any time we establish a price, everybody else sells a nickel under our price. We have destroyed the market, drove the market down to practically 50 percent in the last 5 years—4 years, and we have established a low basis. Wherever we establish our price, again they will sell slightly under so there is nothing we can do about that. The major producer always has this problem and we can either take that and accept that fact and raise our level up and let them sell a nickel under us at a higher price. We have destroyed South America, their economy has completely faltered. We ship cheap grain around the world and then we complain about the people shipping cheap steel and cheap electronics in the United States. We have just done the same thing only we do it with grain, ship cheap grain under the cost of production.

Mr. Jontz. Anybody else want to respond, Mr. Boys, Mr. Fear?

Mr. Fear. Yes. We have worked with the agricultural leaders in Farmers Union from Japan and some of the other countries and their farm people, leaders over there agree the same as we do that probably the farmer needs a better price. They are willing to help their farmers get it. It seems to me as though we are trying to beat our prices down, our Government is, to compete and they are trying to raise theirs. I think it is a matter of working together but the leaders of the farm organizations of the other countries feel the same as the leaders of our farm organizations do here.

Mr. Jontz. I want to give Mr. Boys a chance to respond but you did, Charlie, in your testimony touch on a problem that concerns me a great deal when you look at our world agricultural situation and that is Third World debt. When we have a situation where debtor nations must reduce their standard of living to pay the banks, then there is less money available for purchasing food and, in essence, the gap between supply and demand gets greater because demand is reduced at a time when our problem is a surplus of agricultural commodities. That does not make any sense. In the case of Brazil and Argentina not only has their standard of living been reduced but you have capacity to produce soybeans, corn for export markets, particularly soybeans which has devastated our markets and in Brazil where you have half the people malnourished, you have 75 percent of their soybean production going for export market. And then that is a concern to me. It seems to me that if we want to give supply and demand a better balance that we have to address the demand side by trying to improve the standard of living in developing countries and our policies with regard to Third World debt have done just the opposite. The standard of living in Mexico is down. The standard of living in South America is down. The progress which was made in the 1970's in increasing nutrition and increasing food consumption, we lost all that in the 1980's.

And you also mentioned—and that also gets us to the issue of the objective of the GATT talks. It just seems to me that rather than pursuing the objective of eliminating subsidies, pursuing it from that standpoint, maybe we ought to approach the GATT talks from the standpoint of reaching agreements with our competitors to get supply and demand in better balance so that prices would raise. Instead of engaging unilaterally in supply management in this country, maybe we ought ask some of our competitors to engage in supply management so that we could get prices up to where they should be so that we could be competitive in the international markets without reducing prices in this country.

Larry, do you want to respond to that?

Mr. Boys. Well, yes, as I said in my testimony, we are in a world economy, a world agricultural economy in this instance and I think the Chicago Board of Trade points that out. Our prices are largely based on the Board of Trade and there is international buyers and sellers on the Chicago Board of Trade. I think the 1985 farm bill did have the effect of lowering world prices largely because we had such a huge surplus. We had to move that surplus. We have done that. I think as the supply and demand becomes more in balance, we will see the world prices begin to increase. I think we already have seen the world prices begin to increase and hopefully will stabilize if we can continue our present approach in the 1990 farm bill.

Mr. Jontz. So does that mean keeping the market prices where they are or reducing target prices?

Mr. Boys. Well, I liked Dean Thompson's analysis of keeping it moving with—the key word here today has been flexibility—and keeping the target loan prices moving with the market averages.

Mr. Erb. Congressman Jontz, I am a little older than Mr. Boys and I remember when we first went on that moving average thing back in the 1950's and we started out with parity at 80 or 90 percent of parity and we said we are going to go on a moving average, we are going to take it down as these situations occur like this. We have been doing this for 35 years and we got parity down to 30 percent, and that is where you go when you go on a route like that. You just slowly destroy your market down each year because you are taking it down 25 percent of the average each time we do this, and you destroy your price.

Mr. Jontz. I want to allow Congresswoman Long a chance to ask a question. To me it seems that the challenge we face in this farm bill is to devise a bill that allows producers to make a fair profit on domestic production and at the same time be competitive in export markets and I do not know what all the options are we have to do that. It seems to me that in trying to deal with some of these international problems from a different perspective and trying to look what we can do to increase demand internationally and to get some of our competitors to do their share in controlling production would be avenues that we ought to pursue that we do not always think about in looking at our agricultural policies.

I guess my other concern, that we have to focus on, is how we use the resources we have in the farm programs, whether it is $13 billion, or something more or something less, to get the greatest net return. We have talked different things today. Mention was made of EEP and other export programs. I think we need to have a thorough understanding of where we can spend the dollars that will get the most return and I am not sure we always have that information before the decisions are made, so hopefully we will be able to choose how to spend the dollars that we have that will have the most positive impact on net farm income that we want to be able to maintain.

Well, thank you for your patience in listening to some of my comments but I do want to pass the microphone to Congresswoman Long for her questions.

Ms. Long. Thank you. I really appreciate many of the things that this panel had to offer here today.

And Mr. Erb, I was particularly struck by what you said in reference to the Boards of Exchange—the Boards of Trade and Exchange. I serve on the Conservation, Credit, and Rural Development Subcommittee and we just drafted a CFTC reauthorization bill tightening the regulation through the full House Committee and with the help of Congressman Glickman and Congressman Jontz, I was able to add something to that—that legislation that tightened what the exchanges and the Board of Trade can do under emergency—when they institute an emergency order.

Our purpose here today is to talk about the 1990 farm bill but I would be interested in hearing any suggestions that you have regarding what ought to be included in the CFTC reauthorization to tighten the regulations. We have gotten through the full Committee on Agriculture but now it will go before the House of Representative and I think it is important that the exchanges work in the best interest of the real producers of commodities and that is the farmers and the ultimate users of the commodities rather than in the best interests of those who want to exploit the system for the purpose of over-speculation and generating high profits at the expense of the farmer and the expense of the ultimate consumer.

I would simply like to hear any suggestions that you have regarding what we ought to be doing in monitoring and regulating the Board.

Mr. **Erb**. I believe we need to work toward an ideal where we have an actual market where you are selling actual product and that only producers of product or holders of product, after they have bought it from the producers, can sell, because other than that, you are allowing the buyer of the product to be able to come into the market and create artificial grain with the stroke of a pen. I have heard it said, that Cargill numerous times last winter would walk in with the red jackets, on the floor, and everybody knew it was Cargill, and dump 5 million bushels 5 minutes before the close and the market would go down sharply. Then they would go to a broker and it would be bought back over the next 2 weeks and it would have no upward effect on the market. They would never walk in and buy grain in their red jackets. They go through brokers to do this. This is manipulation of the market and nothing is done about this. So the way to cure this would to be to force them to deliver grain and to make them have grain when they sell grain. This is the thing, and until we do this, we will have continuing manipulation of the market. In the papers over the weekend, the indictments of the people up there, they said, really when it came down to it you could indict everybody who ever put on a trading jacket there for corruption. That is not me talking, that is the papers talking.

Ms. **Long**. Thank you. I appreciate that. Thank you.

Mr. **Glickman**. I want to thank you all for your testimony today. We appreciate it very much.

The last panel is four gentlemen, Mr. Dean Eppley, vice president, Indiana Corn Growers; Mr. Norbert Pilotte, president, Indiana Soybean Association; Mr. Dale Smith, seed corn producer, Rochester, Indiana; and Mr. Bryan Kirkpatrick, producer, Greentown, Indiana.

Thank you all very much for being here today, and Mr. Eppley, it is a pleasure to see you again. Why do you not begin and then we will go down the row as we did before.

STATEMENT OF DEAN EPPLEY, VICE PRESIDENT, INDIANA CORN GROWERS ASSOCIATION

Mr. **Eppley**. I would like to thank you and the Hoosier members of your committee for welcoming us to share some of our ideas as to what should go into the 1990 farm bill.

Mr. **Glickman**. Before you begin, I must say it is a pleasure for me to be here in Indiana. We think of ourselves in Kansas traditionally as the No. 1 basketball State. I know that I am treading on dangerous waters when I talk about this; however, last year the University of Kansas won the NCAA basketball championship and we were very happy about that, but we do respect very much this State for its role in elevating college basketball to the level it has. We are glad to jointly participate with you in that effort.

Mr. **Eppley**. I would have to clarify a point just briefly. My reference to Hoosier was a generic reference. Me, a graduate of Purdue

University, I sort of let that slip out, the Hoosier connotation but we are all Hoosiers.

Mr. GLICKMAN. All right. Now, that we have that out of the way, you can begin.

Mr. EPPLEY. Good morning. I am Dean Eppley, a corn, soybean and recently a canola farmer from Wabash, Indiana. I am currently serving as a vice president of the Indiana Corn Growers Association. I would like to thank you for the opportunity to visit with you today to discuss the outlook for new farm legislation upon the expiration of the 1985 Food Security Act.

The flexibility and adaptability of the 1985 Food Security Act allowed us to successfully meet many challenges over the past 5 years. These ranged from drought to record grain stocks to budget reductions and others. We want to discuss how this flexibility is critical in development of our upcoming farm legislation.

We believe that base flexibility introduced during the 1989 crop year was an excellent initial step in allowing farmers to make decisions based upon market conditions. Our first recommendation is that flexibility should be generic and not limited to nonprogram crops. The market may call for increased or decreased production among many different crops, however we cannot effectively respond because we are limited to nonprogram crops.

Second, we encourage the development of a total farm base instead of maintaining separate base histories for corn, wheat, and other crops. This would also reduce the amount of paperwork necessary for each individual base and provide a greater degree of flexibility to the producer.

While the decrease in support prices in the current act has returned us to a competitive position in the world grain trade, a simple continuation of the lowering of the support prices is not necessary in new legislation. In 1990, the final year of the 1985 act, the corn target price will be just $2.70 per bushel and the loan rate just $1.57. With respect to current market conditions for corn and grain, target prices should be at least maintained at today's levels. In case inflation erupts again, we may need to examine some type of an inflation clause to adjust rates in order to account for increased production costs.

It is imperative that we commit to strong export expansion programs for corn and other agricultural products. The U.S. GATT negotiators need a strong hand with which to deal with challenges from the European Community and other countries. We must resist the temptation to unilaterally disarm our farm and export programs in "good faith," hoping that other global agricultural powers will follow our lead. We need to continue various export programs, such as the Export Enhancement Program, and ensure that tariffs are not allowed to be placed upon feed ingredient products like corn gluten feed.

The new legislation should include a transitionary mechanism for phasing out domestic farm programs, if and only if, the GATT talks are successful and result in the negotiation of a multilateral agreement to phase out domestic and export programs. One such transition proposal is outlined in an attachment that I will not read to you.

For over 10 years now, the Indiana and National Corn Growers Association have been supporting ethanol, both to lessen our dependence upon foreign energy sources and to adopt more environmentally sound sources at home. Both Congress and the President are interested in doing everything possible to preserve our environment. We would propose that the Federal Government enact legislation requiring all federally owned vehicles to use ethanol-blended fuels. In this way the Government can demonstrate its commitment to a "clean-air" policy.

And as a little aside on that particular issue, I would like to add that about 10 years ago when ethanol was first coming into the picture, we made a decision on our farm to try out ethanol which was very new. We tried it out, thought it worked very well, and since that time we have logged somewhere between 450,000 and 500,000 miles of use of ethanol on our farm, and with this kind of background, I think it would be very appropriate for our Federal Government to do something similar.

Along with ethanol, the market for industrial uses of corn has been expanding and this reduces the need for Government price support programs. If we are to be the world leader in industrial research or even keep pace with our competitors, we must commit to a vigorous research program to support and expand new and current industrial uses for corn. This should include the extension of the 6-cent per gallon exemption for ethanol to the Federal excise tax to the year 2010. We must also be mindful that new uses, such as degradable plastics, use only certain components of our crops, so continued research is necessary for a prosperous agriculture.

In closing, I am very pleased to appear before you today and I congratulate you for holding these hearings. It demonstrates to farmers like me that you and your colleagues have a genuine interest in facing corn farmers in Indiana.

Thank you.

[The prepared statement of Mr. Eppley appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you, Mr. Eppley very much.

Mr. Pilotte.

STATEMENT OF NORBERT D. PILOTTE, PRESIDENT, INDIANA SOYBEAN ASSOCIATION

Mr. PILOTTE. I wish to thank you, Mr. Chairman, and your committee, for having this meeting here today. I am Norb Pilotte, a soybean farmer from Brookston, Indiana. I appreciate the invitation to be here today. Mr. Chairman, I must say that Indiana soybean farmers are delighted that Indiana has two such able bodied leaders—Congressman Jontz and Congresswoman Long—on this important subcommittee.

Soybean farmers are especially concerned about several key titles on the 1990 farm bill, the soybean farm program, conservation and environment, international trade and research.

Farm policy. A group of soybean farms active in the American Soybean Association (ASA), including Tom Milligan from Dana, Indiana, is working to develop policy options for consideration by this subcommittee to be presented this fall.

The majority of soybean farmers want more planting flexibility so they can plant for the market and not for the mailbox. Why can we not make planting decisions based on what is best for our farming operations and what is best to capture market profit opportunities? Now, many farmers are in "base lock," which forces them to plant as much program crop acreage as possible to preserve base and discourage sound rotation practices. More balanced crop rotations mean better pest and disease control, conservative use of fertilizer and chemicals, and lower farm production costs.

Soybean farmers also see the need for soybean income support which is in balance with support levels of other commodities. To give farmers greater planting freedom, it is important that the Government income supports not encourage production of one crop over another so that farmers can make neutral planting decisions between crops.

Environment and conservation. Another top concern of soybean farmers is environmental/conservation policy and its impact on future soybean production. Virtually all soybean farmers believe environmental policy will affect their ability to farm profitably even more than Government farm programs. We need to have balanced environmental policies which protect both the farmer and the environment.

Soybean farmers see an increased need for technical assistance on their farm. Educational efforts through the Extension Service or the Soil Conservation Service are a must to curb possible ground water contamination. Additional research in the ground water and surface water areas is essential to preserve the Nation's water resources. USDA should take the lead in organizing and implementing this necessary research and education.

Soybean farmers support voluntary incentives to improve conservation/environmental practices. For example, since there is some doubt if 40 or 45 million acres can be enrolled in the CRP, soybean farmers think the definition of eligible land should be expanded to include "environmentally sensitive" land.

As for LISA—Low Input Sustainable Agriculture—farmer concern for our natural resources and farm economics for our natural resources have already moved farmers in the direction of "low input" practices. Additional funding toward biotechnology research, integrated pest management, and best management practices is a positive approach to further encourage wise use of agricultural chemicals without jeopardizing high quality profitable production.

Agricultural trade. Since half of the U.S. soybean crop is exported, a strong trade title is very important to soybean farmers. The more successful the United States is in exports, the less the income support provisions will be needed. Soybean farmers face extremely tough competition in foreign markets from South American soybeans and soybean products, Malaysian palm oil, Canadian rapeseed, and European Community oilseeds. Much of this foreign production is subsidized.

Important programs for soybeans in the trade title are export credits, Public Law 480, the Foreign Market Development Cooperator Program, and the Targeted Export Assistance Program.

In regard to research, soybean research is very important to future profits. Especially important is authorization for aggressive basic and applied research on production efficiency, soybean quality improvement, new uses, improved use of farm chemicals and biotechnology. A sound agricultural research and information distribution system is very important if agriculture is to increase competitiveness and profits. Otherwise, our foreign competitors will outpace us.

I liked that remark awhile ago about the soybean oil. We could use that in Washington and we could get rid of a ton of soybean oil.

I want to thank you for this opportunity to be here today. I will be pleased to answer any questions.

[The prepared statement of Mr. Pilotte appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much.

Mr. Smith.

STATEMENT OF DALE S. SMITH, DISTRICT DIRECTOR, INDIANA CORN GROWERS ASSOCIATION

Mr. SMITH. Good morning, Mr. Chairman, and committee. I am Dale Smith, a corn, soybean, and popcorn and seed corn grower from Rochester, Indiana. As a member of the Dale Smith farming operation, I am very interested in controlling risk and profitability. I would like to address the following inequities of the 1985 Food Security Act and encourage consideration of these suggestions.

The $50,000 payment limitation is probably the most single irritating problem facing family farmers today. The United States recognizes that we must be competitive in the world market. This means selling U.S. commodities below my cost of production. I, as a producer, am compensated by this disparity by a deficiency payment. The 1989 deficiency on corn is projected to be 89.6 cents per bushel. The $50,000 limit means that I cannot raise more than 429 acres of corn with an irrigated yield of 130 bushels. Any economist will verify that very few family farms can survive on 429 acres of corn. Our only alternative to this unreasonable policy is having our family operation running at less than peak efficiency. The end results are the same to USDA at a considerable increase in expense to my operation. Hopefully this serious problem can be rectified in the 1990 Food Security Act.

Flexibility. We have talked about flexibility today, a lot of people, everybody. An effective farm policy must allow farmers to produce—the opportunity to produce for the marketplace. To do this, flexibility must be built into the new farm bill. As a producer, I strongly encourage the USDA and Congress to consider the following provisions to be enacted in the farm bill.

Eliminate cross compliance of commodities. Most farms have been combined as a unit to practice better land management. By doing so, our base has also been combined. However, this restricts my planting flexibility. For example, the market today is telling me to plant $3.50 per bushel wheat, while I am required to plant $2 per bushel corn or be out of the 1990 Farm Program.

Proven and new irrigated acre yield recognized. The drought of 1988 forced producers to examine ways to control risk. Irrigation is the most effective way I know. It not only controls my exposure to loss, it also eliminates the need for the USDA or Congress to be concerned about another $4 billion disaster bill. However, because I cannot prove my yields, I do not receive my irrigated yield thereby discouraging producers from controlling their risk. The end result is that it adds to the cost of farm programs. Proven yields are also recognized as a job well done, through better farming practices. This encouragement reduces USDA's budget outlays over the long term. FmHA and FCS "write-down" programs and additional disaster programs only encourage farmers to wait for a bail-out. Encourage producers to control risks and farm program costs will be controlled.

As a seed corn producer, I am faced with an additional burden regarding yield. ASCS officials have said my yields for crop insurance and disaster payments will be based on actual yields. However, this is not how I am compensated by the company for which I am producing. It would be more realistic for my yields to be based upon my "paid yield" rather than my yield harvested, due to the significant differences between commercial corn and seed corn production.

Better yet, I feel that maybe seed corn should be reclassified as a speciality crop similar to popcorn. At the very least, a producer should have the option to declare these acres as program acres or not—popcorn or seed corn, or other speciality crops. By doing this, USDA is urging farmers to produce for the marketplace and it would allow producers more flexibility. One of my concerns is that the good rotation practices continue to be hampered by the USDA restriction on seed corn classification.

Some additional things I think should be in the 1990 Farm Program.

One, paper flow melt-down, multiyear certification, multiyear set-aside, verify it one time and cut down some of the paperwork.

Continuance of 0/92.

Maintain support for farm income through target prices and nonrecourse commodity loans.

Four, provide EEP to liquidate CCC stocks at world level prices rather than Government stockpiling. All surplus commodities should be included.

Eliminate disaster payments and make Federal crop insurance both workable and affordable. Coverage should also be expanded to specialties.

Thank you for allowing me to address this committee. Hopefully, you will consider some of these points in your farm act.

[The prepared statement of Mr. Smith appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much, Mr. Smith. It is an excellent statement.

Mr. Kirkpatrick.

STATEMENT OF BRYAN D. KIRKPATRICK, PRODUCER, GREENTOWN, IN

Mr. **Kirkpatrick**. Congressman Glickman, Congressman Jontz, Congressman Long, I thank you for this opportunity to allow me to testify in front of you.

Some of the changes I would like to see in the 1990 farm bill—I have not heard one person say anything about the crowded ASCS offices. I have not heard one person say anything about redeeming certificates. I have not heard one person say anything about accountants who don't believe the farmer or understand when discussing PIK and roll profits from the use of certificates. One-half of the total time spent with the accountant is discussing PIK and roll, therefore, the accountants bill is twice as much as it should be for preparing the farmer's tax returns. That is beside the point.

Mr. **Glickman**. Maybe it is beside the point but the point is made.

Mr. **Kirkpatrick**. I think it is important that we look at the farmers' needs and that farmers' needs in my opinion is higher loan rates. I feel like the 1990 farm bill should be based upon higher loan rates rather than cash payments and certificates to the farmer. How long is it going to be before the people who work in factories are going to say this farmer drew $30,000 from the Government? The Government should raise the loan rates to levels that allow a farmer to earn enough money to survive, he can harvest his crop, go in and get a loan on that crop at a decent price to make a living.

You say, well, we have to get rid of that grain. Right. What you do instead of writing checks to the farmer is if it is necessary, you subsidize the sales of that grain after it becomes Government property. You can subsidize underprivileged nations. And another thing, we talked about foreign aid, there are people in the world starving to death, and so forth. The best way you can give foreign aid to people who are dying of starvation is give them medical supplies and food. Take that grain and process it into food and give it to the people who are starving.

The 1990 farm bill should be written with the intention of phasing out direct cash payments to farmers if at all possible. In 1984 the loan rate for corn in Howard County, Indiana was $2.55 per bushel. Today that loan rate for the same volume of corn is $1.67 per bushel. In 1984, the loan rate for wheat was $3.30 per bushel. Today, it is $2.13 per bushel. In 1984, the loan rate for soybeans, which was too low, was $5.05 per bushel. In the 1988-89 crop year it was $4.81 per bushel. Soybeans should be raised to no less than $6.50 per bushel. How do you expect farmers to earn a respectable income when the Government sets the pace for lower prices for our products, while all other costs to produce a crop keep increasing. The new farm bill should be written for the farmer and the consumer who pays our taxes, not the middle man.

In 1985 we took a loan on 50,000 bushels plus. We kept the corn, but the Government paid the storage on it until we redeemed or PIK and rolled it. I redeemed that corn a year ago. The storage on that corn loan that was paid to the place where we had it stored by the Government was $1.04. We talk about the cost of our Government program. Do you really have the actual costs? That is my question.

I am not convinced if grain prices are at rockbottom at harvest, I depend on the CCC loans to pay my bills. If it were not for the CCC loans, I would have to sell my crops at the rockbottom prices. We are at the mercy of those who set our grain prices. Farmers need respectable loan rates to prevent grain barons from taking advantage of them at harvest.

During bumper years, prices at the Chicago Board of Trade were run down far below loan rates because the buyers knew they could basically steal the grain from the farmers who had to sell at harvest.

I am not convinced lowering the loan rates for grain has been an answer to our grain surplus because the United States sets the pace for the world. This is where subsidizing underprivileged purchasers and starving nations with our grain would seem to be much less expensive than paying every farmer in the land.

Not to mention there would be much less paperwork and a farmer could take a loan on his crop and feel like he earned it rather than having some of it given to him.

If it is not possible to do away with the payments, I feel like the target prices should be raised at least to the levels of 1984. For corn in Howard County that was $3.03 and wheat $4.45 per bushel. Soybeans do not have a target price.

If Congress elects to use a farm program similar to the 1985 farm program, I feel our payments should reflect a true yield and not a yield that was established years ago. We should have the opportunity to prove our yields.

Now, I would like to talk a little bit about our costs. Farmers' operating needs include farm machinery, trucks, autos, machinery repairs, supplies, labor, seed, fuel, fertilizer, chemicals, interest payments and more. It seems like since 1984 when we purchase equipment their prices have skyrocketed while our grain prices have gone down. No wonder there have been so many people in financial trouble, not only farmers but agribusinesses. In 1985 the loan rate for corn was $2.55 per bushel. In 1986 the loan rate was $1.82 per bushel. That is 73 cents per bushel less than 1985. If you had 52,000 bushels of corn raised on 300 acres, right there alone is $37,960 loss. How would you get along if you had $37,960 taken out of your income in 1986 from 1985?

Also, while loan rates were being lowered, investment credit went by the wayside. We need to remember that the farmers are the backbone of this country. When the farmer makes money, he spends money. When he spends money, people keep their jobs and there are more jobs. I had the opportunity to tour the John Deere factory in 1986. I saw many machines shut down because the farmer did not have money to purchase new equipment. The factory worker was laid off.

I feel the fertilizer companies and seed companies have done their best to keep the cost of their products to a minimum for the farmer. However, this year is a whole new ball game. When we look at expenses from 1988-89, right now I have a minimum of $23.78 additional cost for the corn crop. We are looking at a possible bumper crop and low prices.

Did the 1985 farm bill really work? Does the drought make it look good? Is it a Band-Aid treatment for the future? What does hold for the future's future?

Thank you.

Mr. GLICKMAN. Thank you, Mr. Kirkpatrick. That was a nice statement.

[The prepared statement of Mr. Kirkpatrick appears at the conclusion of the hearing.]

Mr. GLICKMAN. Mr. Jontz.

Mr. JONTZ. I also want to thank this panel for excellent statements. I want to make a personal note of appreciation for each of you for your leadership in agriculture in our State and thank you so much for being with us today.

Flexibility. We have heard people talk about flexibility to plant for the markets, we have heard people talk about flexibility to put in place proper crop rotation for conservation purposes. Is there a difference? Which should be our focus? Who would like to tackle that? Anybody?

Mr. SMITH. No. 1 is our pocketbook.

Mr. JONTZ. Go ahead, elaborate if you would.

Mr. SMITH. Well, all of us are pretty well stewards of the soil and I think flexibility to make more profit but yet most of us know what we can do and how far we can go with that.

Mr. JONTZ. Anybody else want to respond?

Mr. EPPLEY. I guess I look at flexibility as being, as I indicated earlier, fairly generic. We as farmers like to feel as independent as possible and would like to be able to respond to market conditions as we see them when we are making planting decisions and if it looks like we should plant more soybeans whenever that decision time is, we would like to be able to plan accordingly. If we are of a mind to plant some new type crop, like I mentioned canola, we like to see that type of flexibility without being taken away from our base provisions. That has been a problem in many farms. We are essentially forced to plant corn because we historically have had a good corn base and we cannot afford not to maintain that base.

Mr. JONTZ. Well, I guess I raised the question for this reason. We have to move at some point beyond the conceptual discussion of flexibility which, in theory, has a great deal of support to the practicalities of what sort of flexibility to allow. As the chairman indicated, flexibility for you may mean one thing and for somebody else, it may mean something else and there are adverse impacts or impacts which may have differing effects on people which we have to consider. I guess I would hope that we can focus in on what are the legitimate reasons for providing some flexibility. Surely in the case of improving soil conservation and long-term productivity, that is a very legitimate objective. Certainly if we can produce some products which we are importing—the oat situation being a good example, we were importing a lot of oats and it does not make a lot of sense. At a time when the market demand for oats is increasing, we ought to be able to produce more—and in planting crops for new uses.

I think it is important we think through what flexibility means and if you have any further thoughts on that as we get into the farm bill, I would appreciate it.

Norb.

Mr. PILOTTE. Flexibility, right now the world, we are exporting our market for soybeans right now. We do not grow enough of them here. The market is going down but it is not all due to supply, we have actually been in a short supply, but we are in a shorter supply and we are exporting the acres. We would like to be able to plant them here because somebody is going to grow them if the demand is there.

Ms. LONG. I do not have any questions. I believe you are the last panel. I think most of you know that for a time in my life I lived in the Fifth Congressional District, and it has really been a privilege and a pleasure for me to be here today, and to see some old friends and hear your remarks. This is my first field hearing. I have certainly been involved in a number of hearings in Washington. I am very pleased with what is coming out of this hearing and we will be very proud to take the testimony from here today back to Washington along with Chairman Glickman and Congressman Jontz. I am very, very pleased that we are going to be able to include these suggestions as we work toward developing the 1990 farm bill. I thank you.

Mr. PILOTTE. I just have one more comment. I made the remark if we could get Washington to use more soybean oil ink up there, there would be a great advantage to blackness on your hands, rather than red. It could be black, any color.

Mr. GLICKMAN. Mr. Pilotte, the next time you go to a movie theater and you order popcorn, find out what kind of oil they use because 99 percent of all movie theaters use coconut oil in their popcorn.

Mr. PILOTTE. I realize that.

Mr. GLICKMAN. And we could significantly—there is an awful lot of popcorn consumed and we ought to have a national public effort to educate them.

I want to thank you all very much for coming to this hearing. This has been an excellent hearing. It is what Congressman Jontz refers to as a chance to hear what real people think about farm policy and the diversity of the opinion is important but I think we did get some common themes here that we are going to take back with us. We are going to be rushing now to Columbia City to have a second hearing in Congresswoman Long's district and we hope to have the same kind of high quality testimony there.

I, as chairman of the subcommittee, appreciate very much your testimony. Again, I want to say a special word for our two members from your delegation, Congressman Jontz and Congresswoman Long who do such an outstanding job for Indiana and American agriculture and we know they will be working diligently on the 1990 farm bill, looking forward to seeing as many of you as possible as we continue our deliberations.

I point out again if any of you out in the audience who did not testify want to offer written testimony, we will be glad to accept that. Try to get it in within the next 10 days.

So the hearing stands adjourned. I think there may be some members of the media that may want to talk to us. I think we will do it right from here so as to make it easier for you all. Thank you all for coming out.

The hearing is adjourned.

[Whereupon, at 11:46 a.m., the hearing was adjourned, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

STATEMENT BY: DAVID L. MIERS
DEPUTY COMMISSIONER OF AGRICULTURE
STATE OF INDIANA
HEARING OF THE U.S. HOUSE AGRICULTURE
SUBCOMMITTEE ON WHEAT SOYBEANS AND FEED GRAINS
LOGANSPORT, INDIANA
TUESDAY, AUGUST 8, 1989

Good morning, Chairman Glickman, Congresswoman Long and Congressman Jontz. On behalf of Governor Evan Bayh and Lieutenant Governor Frank O'Bannon, it is a privilege to welcome the members of the Subcommittee and its staff to Indiana. In our State, the Lieutenant Governor serves as the Commissioner of Agriculture. Lieutenant Governor O'Bannon was unable to meet with you because he is attending a national conference of lieutenant governors. However, I would like to submit his written testimony to the members of the Subcommittee for your review.

Although Indiana is not among the largest states in land area, it is a major farm state. With more than 70,000 farms, Indiana is the 10th leading state in the nation in terms of commodities production. Indiana ranks 4th in corn production, 4th in soybeans, 2nd in the nation in chicken inventory and 4th in the nation in hog inventory. It is interesting to note that although Indiana is 10th in commodities production, it is 8th in terms of commodities exported.

As I travel around our state and meet with farm and agribusiness leaders, I hear them express their concerns on agriculture and rural development. I know they are looking to your Subcommittee for leadership in helping to resolve pressing issues in these areas.

Indiana farmers state that they would like more flexibility to plant what they want or what the market says IT wants. The 1985 Farm bill restricted soybean acreage that resulted in losses of foreign markets for Indiana and United States soybeans. Farmers need the flexibility to make their own production decisions.

We would support the recommendations of the nation's governors at the recent National Governors' Association Conference held in Chicago, IL. That proposal recommends substituting a total farm base (TFB) program for the wheat, feed grains, and cotton programs to allow farmers greater flexibility. This change would allow farmers to base production decision more on net farm income considerations, consumers' needs, and environmental concerns and less on government demands.

Indiana Farmers are aware that there is growing interest in a variety of issues that go beyond production aspects of agriculture. These include environmental concerns, farm safety issues and food safety considerations. We would support the enhancement competitiveness through the export enhancement program and through agricultural research and extension systems.

It is felt we need to continue the availability and use of the export enhancement programs as an export trade policy tool.

Continued support needs to be provided for research on Agriculture Production Systems that may reduce the use of energy, water and agriculture chemicals. Emphasis should be placed on more efficient production systems.

Also, additional funding needs to be provided for Agricultural Research and Extension Systems to meet the constant economical and technical changes in agriculture and rural development.

Finally, a higher priority must be placed on research programs regarding additional uses of agricultural products and on identifying potential new ones.

The recommendations as presented should be implemented at a cost of no more than the total cost of the food security act of 1985.

I want to thank you for the invitation to be with you today. Once again, welcome to Indiana.

STATEMENT OF
ROBERT L. THOMPSON
DEAN OF AGRICULTURE, PURDUE UNIVERSITY
BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE
SUBCOMMITTEE ON WHEAT, SOYBEANS, AND FEED GRAINS
LOGANSPORT, INDIANA
AUGUST 8, 1989

Mr. Chairman and Members of the Committee, I appreciate your invitation to appear here today to discuss the next Farm Bill. As you know, I was actively involved in putting together the 1985 Farm Bill while serving as Assistant Secretary for Economics at USDA. I am pleased to have the opportunity this morning to review how the 1985 Farm Bill is working and to offer suggestions about the 1990 Farm Bill.

When we wrote the 1985 Farm Bill, American agriculture was in a depressed condition. Exports had fallen by 40% from their 1981 peak of $44 billion, land prices had fallen by over 60% here in the Corn Belt, and many farmers and associated agribusinesses were suffering from severe financial stress. Moreover, previous farm programs had contributed to soil erosion problems.

The 1985 Farm Bill effectively addressed these problems. By reducing the loan rate towards a 75% of moving-average market price formula, the 1985 Farm Bill reestablished the international competitiveness of American agriculture, and exports have recovered well from their 1986 trough. By authorizing large deficiency payments in the short run while exports were recovering, the 1985 Farm Bill sustained the cash flow of many farmers and prevented more from failing financially. The Congress and the Administration accepted the large budget costs that resulted from these measures as the necessary price to be paid to restore the economic health of the American farm sector. By establishing the conservation reserve program and requiring conservation compliance for farmers to participate in any government program, the 1985 Farm Bill aggressively attacked the problem of soil erosion in the United States. I perceive that most midwestern farmers feel that the 1985 Farm Bill has worked quite well and would like to see its central thrusts continue in the 1990 Farm Bill.

Now let me turn specifically to the grains and soybeans provisions of the 1990 Farm Bill. It is essential that we avoid any temptation to legislate higher loan rates, as this would undermine the export competitiveness of American agriculture and arrest the recovery that has occurred in export performance over the past three years. And without export growth, the only alternative is downsizing of the U.S. farm sector and associated agribusinesses. The 75% of five-year moving-average market price (dropping the high and low years) formula ensures that in normal years U.S. farm products will be internationally competitive, while preserving the integrity of the loan rate as a safety net under market prices in years of bumper crops and weak export demand. I would recommend leaving the 1985 Farm Bill provisions on loan rates intact.

The biggest problem with the 1985 Farm Bill is the inflexibility that it imposes on farmers' ability to respond to market signals in reallocating their land among crops. For example, last year the market was signaling very clearly that we needed to plant more soybeans and oats, but corn growers could not afford not to plant their full corn base to corn in order to protect the value of that very valuable asset. The drought disaster assistance bill of 1988 provided temporary relief in this area. Some have suggested that we go back to the old normal crop acreage concept in the next farm bill; others (including me) advocate adopting the "triple base" concept. But whatever we do, it is essential that greater planting flexibility be built into the 1990 Farm Bill.

Greater planting flexibility is particularly urgent with respect to soybeans. The provisions in the 1985 Farm Bill covering soybeans are probably the least well crafted of any commodity covered by the bill. By dropping the world market price of feed grains relative to soybeans by a significant margin, we substantially increased the profitability to our South American competitors of growing soybeans relative to corn. This has induced larger plantings of soybeans south of the border. At the same time participation in the feed grains program has been so financially attractive that U.S. soybean production has been depressed below what it would otherwise have been. It would be hard to design a more effective formula for the demise of the United States as a large soybean exporter. The soybean provisions of the 1985 Farm Bill are broken and in dire need of fixing.

Some observers will advocate expanding the conservation reserve beyond the 45 million acres authorized in the 1985 Farm Bill. My reading of the data suggests that 45 million acres is sufficient to take care of the highly erodible land that is in production. Any expansion beyond that level would likely short the market and cause American farmers to forgo export opportunities.

Past farm programs in the United States and in many other countries have induced larger production in high cost producing areas by linking government payments to the total volume of production. The 1985 Farm Bill took two small steps in the direction of cutting the link between government payments and the volume of production. The first was the 50-92 provision that was later extended to 0-92. By letting a farmer receive 92% of his or her deficiency payment even if no crop is planted, this provision reduces the incentive to overproduction of crops already in surplus. Because 0-92 is most attractive in high cost producing areas, this should tend to concentrate more of the nation's production in low cost and therefore more competitive producing regions.

The other way that the 1985 Farm Bill began to cut the link between farm program payments and production was by effectively freezing the acreage bases at their existing levels and by freezing the program payment yields at about 10% less than their 1985 levels. As a result, this means that only about the first 90% of a grower's production in a normal year receives the target price. The last 10% or so is produced for the world market price or the lean rate, whichever the farmer expects to be higher. That means that in determining how much fertilizer and other inputs to apply, it is the international market price, not the target price, which determines the profit maximizing level of input applications because at the margin, that's the price the farmer will receive, not the target price. By cutting the link between the target price and the volume of production at the margin, one incentive to overapplication of fertilizer and other inputs per acre was removed in the 1985 Farm Bill. With the present concerns about water quality, we would be ill-advised to return to once again paying the target price on the last units of production.

The Farmer Owned Reserve program is very popular with many farmers, however there is one problem with its operation. The release price for grain in each reserve is 140% of the loan rate at which the grain entered the reserve. With the drop in market prices due to the drop in loan rates in the 1985 Farm Bill, the grain in the reserves is effectively insulated from the marketplace. The release price for reserve grain needs to be adjusted down to a more reasonable relationship with current loan rates.

It is essential that we keep in mind that the Uruguay Round of international trade negotiations will be going on in the GATT at the same time as the 1990 Farm Bill will be written. For the first time ever, the GATT is seriously trying to take on the problem of farm subsidies that induce larger production in inefficient producing areas around the globe. There is a real possibility of achieving greater market access and a more level playing field than have existed in the past. It is essential therefore that our 1990 Farm Bill complement what is going on in Geneva at the trade negotiations. In the 1990 Farm Bill we must neither unilaterally disarm nor so tie the hands of our negotiators that they have no room to maneuver to reach an agreement. The United States has everything to gain from a freer and more open international trading environment.

Agricultural commodity programs effectively stabilize farm prices and incomes. This provides short term sustainability of agriculture during downturns. It is important to remember, however, that a significant share of the competitiveness of American agriculture is due to the cumulative investments that have been made in agricultural research and technology transfer. The United States has fallen behind its competitors in the last 15 years in its support of agricultural research. Other countries are outinvesting the United States in research that is essential to the long-term sustainability of American agriculture. This is important not only in preserving our international competitiveness, but also in addressing the high priority concerns related to water quality, food safety, nutrition, and rural development.

In closing, Mr. Chairman, I would like to submit for the record a copy of a recent survey of Indiana farmer attitudes towards future farm policy carried out by the Department of Agricultural Economics at Purdue University. Thank you.

(Attachment follows:)

THE 1990 FARM BILL: PREFERENCES OF INDIANA FARMERS

By

Marshall A. Martin, Bob F. Jones, and Dennis Shields
Associate Professor, Professor, and Research Assistant, respectively.
Department of Agricultural Economics

Introduction

The Food Security Act of 1985 expires in 1990 (Glaser). Consequently, the debate over next farm bill is now underway. To provide Indiana farmers an opportunity to express their preferences over possible provisions in the 1990 Farm Bill, the Department of Agricultural Economics at Purdue University conducted a mail survey of a randomly selected sample of Indiana farmers in February 1989. Four hundred nine completed surveys were returned (27% of those mailed to farmers).

Based on a comparison of the characteristics of the farmers in the sample with recent Census of Agriculture data (U.S. Department of Commerce-Bureau of the Census), the sample was judged to be representative of Indiana farmers. About 14% of the survey respondents farm fewer than 50 acres, 34% farm between 50 and 180 acres, 30% farm between 180 and 500 acres, 14% farm between 500 and 1,000 acres, and 8% farm more than 1,000 acres.

Farmers were asked to share their opinions on possible provisions in the 1990 Farm Bill and related policy issues. The remainder of this article summarizes the survey findings.

Production Controls

Indiana farmers' views on production controls and associated price supports are mixed. Forty two percent prefer the gradual elimination of all commodity programs, while 31% prefer the continuation of the present program. Nine percent would favor a separation of government payments from production (decoupling). Only 8% desire a mandatory supply control program. Three percent suggested other options and 7% had no response to the question.

Compared to a similar survey conducted in 1984 prior to the passage of the Food Security Act of 1985, Indiana farmers' views appear to have changed (Martin). Support for a mandatory acreage reduction program has declined from slightly over one-fourth to 8%, while support for the elimination of government supply control programs has increased from about one-fourth in 1984 to 42% in 1989.

A larger proportion of the operators of farms with gross sales under $40,000 and those who farmed less than 180 acres prefer the complete elimination of farm programs. The moderate sized operators more frequently expressed a preference for the current program as well as a willingness to separate government payments from production requirements, i.e., decoupling. Those who farm more than 500 acres generally oppose the elimination of all farm programs and tend to favor the current program or decoupling. Grain farmers are more often supportive of the present program than are livestock producers.

Livestock producers more frequently favor the elimination of current farm programs.

Target Prices

Attitudes towards the role of target prices also are mixed. About one-third want target prices phased-out completely over a 5 to 10 year period. However, another one-third want to retain target prices and increase them annually at the rate of inflation. About 12% prefer to keep target prices fixed at current levels ($2.84 per bushel for corn and $4.10 per bushel for wheat). A similar number (11%) would favor a gradual annual reduction in target prices of 2% to 4% in order to reduce federal budget expenditures and to discourage over-production. Others (10%) had no opinion or favored other alternatives.

Support for high target prices has declined. Five years ago the majority (56%) of the farmers surveyed favored the continuation of target prices with about 40% wanting target prices increased and another 40% wanting them held constant. Only 4% wanted target prices lowered. In 1984 target prices for corn were $3.03 per bushel and for wheat were $4.38 per bushel.

Larger grain farmers generally want to retain or increase current target levels. Livestock producers are more likely to want target prices reduced or phased-out. Those farmers with more years of schooling generally want target prices phased-out also.

Loan Rates

Many farmers (44%) would favor the complete elimination of all loan rates and commodity loan programs. Others (29%) favor a loan rate based on an average of market prices during the previous 5 years. Still others (16%) believe that loan rates should be raised and be the primary policy instrument to support commodity prices. Eleven percent had no response.

In 1984 one-half the farmers wanted loan rates raised, about 20% wanted them held constant, and only 2% wanted them reduced. However, under the provisions of the Food Security Act of 1985 loan rates were reduced substantially, mainly as a tool to increase international competitiveness of U.S. grain and reduce stock levels. For example, the loan rates for corn and wheat were reduced from $2.55 and $3.30 per bushel, respectively, in 1984 to current levels of $2.06 and $2.58.

Small farmers generally prefer the elimination of loan rates. Many of the larger grain producers favor higher loan rates. However, livestock producers favor lower loan rates.

Paid Land Diversion

In the 1980s farmers have in some years had the option of receiving additional payments to divert more acres than were required for the minimum acreage reduction program. Thirty eight percent of the farmers surveyed believe that an annual paid land diversion program to control production should be continued as an option available to the

Secretary of Agriculture when stocks become burdensome. However, 29% think this program could be discontinued. But a large number (26%) are unsure about whether this program should be continued.

Larger grain producers generally want the paid land diversion program continued. Livestock producers and smaller farmers are less supportive.

Marketing Loan

Under the 1985 Act, a marketing loan became available for rice and cotton. The marketing loan program allows farmers to take out a commodity loan at the announced loan rate. However, if the market price never surpasses the loan rate, farmers may repay the loan at the market price rather than the loan rate value. The difference between the loan rate and market price becomes an implicit government subsidy. The intent of the program is to move a commodity onto the market rather than allow it to accumulate in government storage through loan forfeiture.

Expansion of this approach to wheat, soybeans, and feed grains was authorized in the 1985 Act. However, former Secretary of Agriculture Lyng opposed this, arguing that such a program would be too expensive.

When asked if they favored the extension of marketing loans to include wheat, soybeans, and feed grains, 40% of the Indiana farmers surveyed said no. Twenty-eight percent said yes. A similar number (26%) are unsure. Larger grain producers are more supportive of the marketing loan concept.

Acreage Bases

Historically, several approaches have been used to determine the acreage that farmers may plant and how much land must remain idle. The 1985 Act continued the acreage reduction program (ARP) concept. Each year the Secretary of Agriculture announces the percentage acreage reduction within the limits set by the 1985 Act. To determine the number of acres to idle a farmer must multiple the ARP percentage times his base acres for each eligible crop, e.g., a farmer with 100 corn base acres and a 10% ARP would be eligible to plant 90 acres of corn and idle 10 acres.

The base acres for each crop under the 1985 Act are determined by the area planted or considered planted to a particular crop during the five preceding crop years. Although not implemented by the Secretary of Agriculture, the 1985 Act also allows for a set-aside program as a percentage of the normal farm acreage base which includes all crops planted and idled acres.

A concern of many farmers has been the lack of flexibility of crop acres under the 1985 Act, i.e., farmers participated in the acreage reduction program not only to enjoy program benefits but also to avoid the loss of base history and thereby retain maximum eligibility for future programs. Thus, when soybean prices rose relative to market prices for program crops such as wheat and feed grains, farmers did not expand their soybean acreage.

About 50% of the Indiana farmers surveyed favor a more flexible acreage base with each farmer able to select individual crop acreages within a total crop acreage base. Others (28%) prefer a continuation of the current crop specific base acreage approach.

Payment-in-Kind (PIK)

Current support for the Payment-in-Kind (PIK) program is relatively weak and many farmers are uncertain if it should be continued. This is a sharp change in farmers' views compared to five years ago. PIK certificates were instituted in 1983 and the continuation of the PIK program was strongly favored by two-thirds of the Indiana farmers who responded to the previous policy survey in 1984. In the 1989 survey, when asked if they favored the continuation of PIK certificates as long as government stocks exist, only 31% said yes and 36% said no. It is important to note, however, that 25% are unsure and 8% did not respond to the question.

Farmer-Owned Grain Reserve

Indiana farmers' support for a grain reserve has declined. In 1984 about one-half the farmers favored the continuation of the farmer-owned reserve, about one-fifth were opposed, and 28% were undecided. In the 1989 survey only 37% favor its continuation while 28% are opposed and 35% are unsure or did not answer the question. Higher market prices and declining stock levels may have influenced farmers views now compared to five years ago.

Payment Limitations

Farm legislation for over two decades has contained provisions to limit the size of government payments to farmers. In the 1984 survey three-fourths of the respondents favored payment limitations with about one-half favoring the continuation of a $50,000 payment limit per farmer and the rest about equally divided between higher and lower payment limitations.

In the 1989 survey 38% favor the continuation of a $50,000 payment limitation per farmer. One-third want the limit decreased and only 6% want it increased. Eleven percent want payment limits completely eliminated, 6% suggested other alternatives and 5% did not respond. Operators of smaller acreage or those with annual gross sales under $40,000 generally want the payment limit decreased while operators of larger acreages or those with annual gross sales over $250,000 are much more likely to prefer an increase in the payment limit or its complete elimination. Moderate sized farmers are generally more supportive of a continuation of the current payment limit of $50,000. Younger farmers more often want the payment limit increased.

Soil Conservation and Water Quality

It is widely anticipated that the 1990 Farm Bill will include provisions to improve the environment. Policy measures to reduce soil erosion and improve ground water quality are expected.

In the 1984 survey, three-fourths of the respondents supported a recommendation which would require farmers to follow soil conservation practices to be eligible for price and income payments. The 1985 Food Security Act includes provisions that require farmers to develop conservation plans by 1990 and fully implement these plans by 1995.

These soil conservation provisions have been controversial. When asked in the 1989 survey, 56% of the farmers concurred that soil conservation and water quality compliance should be a condition for receiving government farm program benefits. Twenty-four percent said no and 20% were not sure or did not respond to the question. Younger farmers are more likely than older farmers to favor this proposal. Also there is less support for this proposal among larger farmers than among smaller farmers. Farmers who are college graduates strongly support the proposal.

Another feature of the 1985 Act that was strongly favored in the 1984 survey is the Conservation Reserve Program (CRP). In the 1989 survey only 24% want the CRP eliminated and 11% did not respond. Nearly two-thirds want the CRP continued in the 1990 Farm bill with 20% wanting it limited to 30 million acres (its current size), 26% wanting it expanded to 45 million acres (the upper limit specified in the 1985 Act), and 17% wanting it expanded to 60 million acres. Younger farmers more frequently favor the expansion of the CRP to 60 million acres. Smaller farmers tend to want the CRP eliminated while moderate to large sized grain farmers, especially those with more years of schooling, favor the continuation of the CRP.

Government regulation of farming practices is not very popular among Hoosier farmers. Only 13% of the respondents desire additional government regulations of farming practices to achieve soil conservation and water quality goals. Most (44%) prefer government cost sharing to establish conservation and water structures. About one-third would support taxes on fertilizer and chemicals to reduce excessive use. Older farmers are more supportive of taxes on fertilizer and chemicals than are younger farmers. Government payments to producers to modify cultural practices or remove land from production was supported by 26%.

Crop Insurance

Several past farm bills have provided for Federal crop insurance to cover losses from national disasters. However, in years of major drought such as 1988, the Congress usually has responded with special emergency legislation. When asked what our national policy should be to deal with production risk associated with natural disasters such as drought, about one-third of the respondents preferred a continuation of the current voluntary crop insurance program where farmers pay about 70% of the cost and government pays about 30%. About one-fifth of the farmers would prefer the elimination of the current Federal crop insurance program and instead have the Congress provide limited disaster assistance when a severe national disaster occurs such as in 1988. However, 14% favor the elimination of all government crop insurance and disaster assistance programs. Only 9% favor legislation which would require farmers to buy Federal crop insurance to be eligible for government program benefits. Yet 14% were not sure, 5% did not respond , and 2% suggested other alternatives.

A significant number of the smaller farmers want all government disaster programs eliminated. Support for the current crop insurance program appears to be strongest among the mid-sized farmers.

Dairy Policy

Dairy policy has often been controversial. Six percent of the Indiana farmers who returned the survey were dairymen. Of these dairy farmers, only 17% have more than a 50 cow herd. Thirty percent of the dairy farmers favor the elimination of all dairy price support programs, 23% want to continue the current program, 20% prefer production quotas and price supports based on the average cost of production, 13% want to give the Secretary of Agriculture more authority to set milk price supports, and 13% are not sure what should be future dairy policy. A comparison of all respondents indicates attitudes on dairy policy similar to those of dairy farmers.

Agricultural Credit Policy

For many years the Farmers Home Administration has served as a creditor of last resort for many farmers who can not obtain credit through commercial channels. When asked if the government should continue to loan money to farmers with limited capital who can not get credit from other sources, 44% said no, 28% said yes, 20% were not sure, and 8% did not respond.

Program Payment Distribution

Slightly over one-half of the Indiana farmers favor a change in farm programs which would give a higher proportion of price and income support payments to smaller farmers. As might be expected, the response to this question is highly correlated with farm size. Farmers with annual gross sales less than $100,00 are supportive of this proposal while larger farmers with annual gross sales over $250,000 are not.

Farm Programs and Structure

Farmers' views on whether farm programs should be used to influence the number and size of farms are quite divided. Forty six percent said yes, while 40% said no and about 8% did not respond. Small operators with less than 180 acres or annual gross sales less than $40,000 think farm programs should influence farm size and numbers while those who operate more than 500 acres or whose annual gross sales exceed $250,000 disagree.

Domestic Food Programs

There are strong and opposing views among Indiana farmers concerning the level of government expenditures on domestic food assistance programs. In 1987 the U.S. government spent $19 billion on food stamps, school lunch, and other food assistance programs. Slightly over one-third (37%) agreed that this amount should be increased.

Slightly more (39%) disagreed. About one-fourth were unsure or did not respond.

Rural Development

There has been growing interest in the Congress and in rural communities to expand efforts to encourage economic development in rural areas. Over one-half (53%) of the respondents favor increased Federal government funding for rural development programs to expand employment and economic activity in low-income rural communities. Only about one-fifth disagree. Support for rural development efforts is inversely associated with educational levels. Those with less years of schooling are more supportive. Rural development is an issue that is likely to receive increased attention in the 1990 Farm Bill.

International Trade and Development

Since the early 1970s international trade has become extremely important to U.S. agriculture. After rapid growth in the 1970s, agricultural exports declined in the early 1980s and have only begun to recover since 1986. Changes in domestic policies, e.g., lower loan rates and export subsidy programs, economic recovery in other countries, and a weaker U.S. dollar have contributed to the recent increase in the value and volume of U.S. agricultural exports.

Indiana farmers strongly favor efforts to reduce world trade barriers (78%), especially grain producers and those who are college graduates. Over one-half (58%) favor bilateral and multilateral efforts to reach separate trade agreements and reduce farm and export subsidies in order to enhance world agricultural trade. There is less enthusiasm, however, to enter into joint agreements with other nations to limit production and establish marketing controls. Thirty-six percent agree, 30% disagree, and 34% have no opinion.

The United States has been a major source of foreign food assistance under P.L. 480 since the 1950s on both a donation and concessional sale basis. Most farmers (43%) favor the continuation of efforts to fund food aid to low-income nations. However, 21% disagree and 29% have no opinion.

Private and public funds have financed the development of foreign markets for U.S. agricultural products. Most farmers (47%) favor additional farmer-financed foreign market development efforts. However, again there are other views with 21% saying no, 23% unsure, and 9% who did not answer the question.

Farmers' views on the effectiveness and level of expenditures on export subsidies vary. Partly in response to the use of export subsidies by the European Community, the U.S. began an Export Enhancement Program (EEP) in 1985. Since then the U.S. has spent several billion dollars on agricultural export subsidies, especially for wheat. Most Indiana farmers (46%) favor the continuation of these export subsidies. While 11% disagree, a large number (32%) are unsure and 11% did not answer the question. Large grain producers are more likely to favor the continuation of these export subsidy programs.

The support for a reduction in U.S. agricultural import barriers is relatively weak. About one-third would favor such efforts, about one-fourth would not, and approximately another one-third are uncertain.

U.S. agricultural development assistance programs in low-income countries have been controversial for many years. Despite research evidence and country-specific experience where the U.S. has assisted a country to develop its agricultural sector and subsequently that country has become a strong importer of U.S. agricultural and non-agricultural products, many farmers still do not support economic development efforts directed towards agriculture by the U.S. Agency for International Development (USAID). Less than one-third (30%) of the respondents favor such efforts while over one-third (38%) do not. Again, many are unsure (21%) or did not answer the question (11%).

Federal Budget Deficits

Federal budget deficits have been a major national concern throughout the 1980s. Despite the Gramm-Rudman-Hollings Budget Amendment, efforts to reduce the Federal budget deficit have been only modestly successful. The deficit during each of the past three years has exceeded $150 billion.

Most Indiana farmers (53%) favor across-the-board cuts to reduce the Federal budget deficit. About one-fifth disagree, however.

There is strong support to cut defense expenditures (57%), social programs excluding Social Security (50%), and farm program expenditures (49%). Also if farm programs are reduced, 36% favor across-the-board cuts, 36% favor the continuation of payments to small and moderate sized farmers, 11% would make payments only to farmers with severe financial need, and 7% would cut some programs more than others. About 10% had no response or suggested other alternatives. Larger grain farmers are more likely to support across-the-board cuts while smaller farmers favor cuts in payments to larger producers and prefer that payments be made on the basis of financial need.

There is very little support for a tax increase (16%) as a budget balancing technique. However, a majority of farmers would favor an increase in user fees for government services (49%) and increased efforts to collect taxes due the Federal government (71%).

Farmers clearly do not want Social Security payments reduced. Only 11% favor this. Farmers with annual gross sales under $40,000 strongly disagree with any efforts to reduce Social Security Payments. Also, as expected, older farmers were more likely to disagree.

Some Indiana Issues

The survey included a few policy questions that may be addressed in future sessions of the Indiana General Assembly.

Corn Check-off. In recent years there have been two soybean check-off referenda and one for corn in Indiana. All were defeated.

When asked in this survey if they would favor a corn check-off of one cent per bushel with the funds allocated for research and market development as determined by an elected board that included only Indiana corn producers, 41% of the respondents said no. A slightly smaller number (37%) said yes. About one-fifth were unsure and 4% did not respond. These responses parallel the vote in the December 1987 corn check-off referendum when 37% of the Indiana corn producers voted yes and 63% voted no.

College graduates and mid-sized farmers are more likely to support a corn check-off.

Roads and Bridges. Many Indiana residents have expressed concern in recent years with the declining quality of rural roads and bridges. Farmers are especially concerned about the need for all weather roads and stronger bridges that support heavy loads of grain and are safe for the movement of large farm equipment.

The survey asked if they would favor a two cent per gallon increase in the Indiana gasoline and diesel fuel tax with no exemptions for farm use but the requirement that all tax revenues could only be allocated for the repair of rural roads and bridges. Despite the frequently expressed concern about the poor state of Indiana rural roads and bridges, over one-half (56%) responded negatively to this proposal and less than one-third (28%) would favor such a tax to generate tax revenues to repair rural roads and bridges. Eleven percent were unsure and 5% did not answer the question.

Agricultural Credit from the State of Indiana. Farmers' views on state agricultural credit programs such as the Indiana Agricultural Development Corporation and the Treasurer's Farm Program appear to be quite mixed. One-fourth do not favor this type of credit program. However, 29% favor more of this type of credit, 30% favor a continuation of the same level, and 13% want it reduced. Only 2% had no response. Larger farmers tend to be more supportive of additional agricultural credit.

Conclusions

Indiana farmers remain divided in their views on many food and agricultural policy issues. Furthermore, their views appear to have changed on some issues during the past five years.

Perhaps the most significant change in views is with respect to mandatory production control programs. Only 8% favored this in 1989 compared to slightly over one-fourth in 1984. Furthermore, the support for elimination of farm programs has increased from about one-fourth to 42%.

The support for soil conservation programs remains relatively strong. While there are some differences of opinion about the size of the Conservation Reserve Program, most farmers favor its continuation.

The Uruguay Round of General Agreement on Tariff and Trade (GATT) Negotiations are underway in Geneva, Switzerland. A major goal of these multilateral trade negotiations is to reduce barriers to trade.

Indiana farmers strongly support efforts to open world markets to U.S. agricultural products.

Indiana farmers are concerned about the Federal budget deficit and favor cuts in budget expenditures including farm program expenditures. However, they are vehemently opposed to tax increases as a means of balancing the Federal budget. They are more supportive of increases in user fees for government services.

At the state level, farmers generally do not favor any "tax". The majority oppose a corn check-off, a tax on fertilizer and pesticides to improve ground water quality, and a fuel tax to repair rural roads and bridges. The challenge before Indiana policymakers and agricultural leaders will be to devise ways to increase agricultural efficiency and profitability while minimizing environmental damage and taxpayer costs.

The challenge before the national agricultural community and policymakers as the 1990 Farm Bill is written will be to increase program flexibility, protect U.S. agriculture from extreme downside price and income risk, and retain the competitive position of U.S. farmers in world markets.

As was the case when the 1985 Food Security Act was written, there will be pressures to minimize budget costs. However, two other forces will be prominent as the 1990 Farm Bill is drafted. The on-going GATT trade negotiations will likely force policymakers to seek ways to reduce trade distortions and maintain the competitive position of U.S. farmers. Second, the environmental and food safety movement is stronger as well as better organized and financed than it was in the past. Additional soil conservation and water quality provisions very likely will be included in the next farm bill.

References

Glaser, Lawrene K. (1986). **Provisions of the Food Security Act of 1985**. United States Department of Agriculture, Economic Research Service. Agriculture Information Bulletin Number 498. Washington D.C., April. 105 pages.

Martin, Marshall A. (1984). "The 1985 Farm Bill: Indiana Farmers' Views". **Purdue Agricultural Economics Report**. August. pp. 5-8.

U.S. Department of Commerce-Bureau of the Census. (1989). **1987 Census of Agriculture: Advance State Report- Indiana**. Washington D.C., January, pp. 2.

STATEMENT OF

CLAIRE LEUCK

My name is Claire Leuck, I am a resident of Benton County, Indiana where the land is flat and the soil is productive! My husband, Richard, and I have a farming partnership. We are purchasing the 160 acres on which we live and farm an additional 800 acres.

I presently am the State Representative for the 25th District in the Indiana General Assembly. Mr. Chairman, my district which formerly was that of your colleague, Jim Jontz, includes all or parts of five rural counties. I am in my second term in the Indiana General Assembly. During that time, I have been a member of the House Agriculture Committee and presently serve as Co-Chairperson of that committee.

Today, my testimony will be given from the perspective of my husband and I, who by our chosen occupation, farming, are left to deal with farm programs that we do not feel are serving the best interests of the farmer. Programs which were initiated to protect the farmer from hurting his income by over-producing and creating surpluses and thereby reducing the prices for his commodities have failed. What we have now are - commodity surpluses and low prices and controls. I have to stop and wonder what could have been, if as much emphasis had been placed by our government on the sale of our commodities on the world market or if emphasis had been placed on funding for research for value-added products for these commodities instead of deciding to pay farmers not to do what they do best: produce an abundant crop.

We've resigned ourselves to the fact that there will always be government involvement in our industry. Hopefully as the new 1990 Farm Bill is written, concern will once more focus on what the original intent of the post-depression era assistance program was, to insure some financial stability. Many of us feel that we recently came through a situation that was not unlike the depression.

We have come to expect yearly "detail" changes and should this continue in the 1990 Farm Bill, in order for a producer to have the opportunity to do strategic planning for the upcoming production year, the farm program for that year should be announced by October 1st, however, given the fact that there is a General Election every other year, we would settle for November 15th. The program should have all "details" such as loan rates, deficiency payments, target prices, and paid ACR's, firmly in place. The ASCS offices should receive the necessary software to begin the sign-up simultaneously. If the federal government is going to be in business with us, let them start operating like a business partner, by giving us the necessary information in a timely manner so we can plan our production strategy. Given the necessary information early and without change, producers could take advantage of pre-season discounts on seed, chemicals, and fertilizer. We could project more accurate figures on our cash flow statements. This past year, the farm program, in final "detail," was not announced until around March 1st with a final sign-up date of April 15th. One of the last-minute "details" being worked out by the Secretary of Agriculture was whether or not to allow soybeans to be planted on corn base acres.

This leads us to another troubling reality, the Secretary of Agriculture, by his administrative authority and decisions, is entirely too powerful. Mr. Chairman and members of the committee, we have a say in whether we want you to represent us and ultimately to write our farm bill, but, we do not have any direct say as to what the Secretary does administratively - he has absolutely no obligation to us whatsoever! Memories are long when we've struggled to make enough profit to at least meet the ever-increasing production costs. In 1988, Congress set the loan rate on corn for the crop year 1989 at $2.06. It was the Secretary of Agriculture who reduced the loan rate to $1.65!

Several years ago, the ASCS offices administered a farm facility loan program. Farmers were able fo finance storage as well as grain drying facilities at a reduced rate of interest. We took advantage of the program and within 7 years, we had our storage and drying set-up paid for. With the disappearance of this program, and given the high rate of interest through commercial loans, the building of on-farm storage has virtually ceased. However, grain merchandisers have continued to build storage facilities. Without on-farm storage, the farmer has lost one more opportunity to control his commodity - not to mention storage benefits. Perhaps some consideration should be given to re-implementing a similar facility-loan program.

Proven yields should be re-introduced into the 1990 Farm Bill. A five-year production average should be established, which should include the current production year plus the 4 preceding years. The farm average would remain up-to-date by deleting the oldest and adding the current production year. Each farm would then have a true production history and deficiency payments would be based on a proven yield average.

Commodity loan rates and/or target prices should reflect enough income to offset production costs, include living expenses, and leave some good old-fashioned profit. Profit provides farmers with the ability to expand, upgrade, and improve the farm unit. These loan rates should be in effect for the 5-year duration of the farm bill without modification or change. This would at least enable the producer to chart a course for an extended period.

I am suggesting a Farm Bill with farmers' interests in mind with a 20% ACR of the existing corn base. This 20% or more ACR would be a paid diversion of no less than $120 per acre. This ACR would have to be seeded with a cover crop. The remaining 80% crop acres, or less, whichever is the case, could then be planted to any grain or hay crop of the producer's choosing without losing or reducing the corn base. So that my suggestion is perfectly clear, whether you planted your entire farm to all corn, all soybeans, all wheat or any combination thereof, your corn base would remain the same thoughout the 5 years.

Almost every commodity producer would like to see the government out of their business, but, realistically, we know that this is not likely to happen. However, we as agribusiness people would like to have the opportunity to manage our production operation as a business where we at least are given the opportunity to make planting and marketing decisions.

Remarks by State Senator Katie Wolf (D-Monticello) August 8, 1989

With many provisions of the 1985 Farm Bill scheduled to expire in 1990, state and federal leaders must now develop a new blueprint for the nation's farmers and rural communities.

Of course, the centerpiece of any farm bill must be federal support for commodities. While some contend that we must completely dismantle supports and start anew, I think it's much better to continue support programs, working within them to make improvements and to ensure more flexibility.

Loan programs which exist for corn, wheat, rice, and other food grains, as well as soybeans, peanuts, sugar, and tobacco, should be continued into the 1990's. Target prices for commodities must also be maintained.

Even though supports must be preserved, there are changes that need to be looked at. One problem is balancing support for commodities.

For instance, currently farms with a corn acreage base must plant ACREAGE all but a certain percentage of that base to corn. ~~Corn~~ which is left over is considered the corn acreage reduction. In an effort to give farmers more flexibility, cropland set-aside should be looked at as an alternative to acreage reduction.

Under a cropland set-aside, farmers would still be required to keep a certain portion of their acreage idle, but crops planted on remaining land are left to the farmer's discretion. This would mean that farmers would have complete decision making control over what crops are planted.

Another area the Congress must address is the current bias in agriculture toward huge corporate farms. Since current commodity supports link the number of bushels produced to the amount of support, much of the federal support ends up going to larger farms. Especially if budget cuts are necessary, we must look at payment limitations and other alternatives so that family farmers are protected.

Finally, farmers should get paid for what they produce. Currently, the Agricultural Stabilization and Conservation Service (ASCS) determines output based on material which really does not reflect the actual output of farmers.

For instance, Hoosier farmers in 1986 produced on the average 135 bushels per acre, but only received support for an average yield of 101 bushels per acre. The new farm bill should ensure that farmers receive funding based on proven field data here in Indiana, rather than artificial figures determined in Washington.

One thing is for certain -- a new farm bill must take into consideration the impact of chemical pesticides and commercial fertilizers on the environment.

Low input farming should be addressed in the new farm bill. Farming which is less reliant on heavy chemical inputs could encourage crop diversity, rotation, and cultivation to control plant diseases, insects and weeds. This would encourage greater use of natural inputs such as animal manure and other organic materials.

Few people in agriculture believe that low input farming will ever completely relieve chemical pesticides. However, support for greater research in this area could eventually reduce environmental problems and help farmers diversify their operations.

The farm bill must also help farmers secure new markets for commodities. Whether it's developing new markets abroad or creating new markets for value-added products, the federal government must get more involved in marketing support.

Much of the research on agriculture in Indiana takes place at Purdue University. We have a Value-Added Research Center at the university which is currently funded only by the state. More federal funding should be made available for state efforts like this.

Exporting is another vital avenue for farm products. Foreign markets are no longer just an outlet for commodity surpluses, they are a crucial link in preserving the health of our nation's agricultural industry. There must be increased federal support for programs which help farmers identify markets for commodities or value-added products.

Greater technical assistance must also be given to farmers who want to diversify their yields or get involved in a value-added enterprise.

Finally, the Congress must broaden the scope of a farm bill to include the overall issue of rural development. Many of the problems facing rural communities are related to agriculture, and we have to look at linkages between the farm community, rural health care, economic development, and roads.

POPCORN CO.

VAN BUREN, INDIANA 46991 Telephone 317 934-2101 Outside Indiana 800 426-8201 [illegible]
ULYSSES, KANSAS 67880

8/8/89

GOVERNMENT PROGRAM

By: Mike Hacker, Crop Production Manager
Weaver Popcorn Company, Inc.

Preface -- History and Background:

The Weaver Popcorn Company is the largest producer of popcorn in the United States and in the world. As a company, we contribute 25% of the total world's production of popcorn, and we also provide 22% of the export market including shipping to 22 countries, including Japan.

Weaver Popcorn has been in business for over 60 years, and has remained a family owned business for that entire period.

All of our acres are contracted on an annual basis with growers throughout the midwest. From a production standpoint, growers are able to use the same equipment for the popcorn that they use in their field corn and soybeans in planting, cultivating and harvesting. Agronomically, popcorn is very similar to field corn in its fertilizer and chemical practices.

Being a food product, quality and grade of the popcorn are of much greater significance than that of other crops. We have much stricter guidelines on pesticide usage, harvest moisture, foreign material, mechanical damage, and rotational practices for the crop.

Because of its similarity to field corn, this is a natural crop for a grower to replace when he makes the decision to grow popcorn. Also, because of the fact that it does not require specialized equipment, he can get involved with its production in one year and out the next year without a capitol loss. With these facts in mind, my following discussion on the impact the government program has on popcorn production and other non-program crops can be better understood.

I. Base Acres for Field Corn and Maintaining the Base:

Popcorn is a non-program crop and does not contribute to base acres. Even though it is more profitable on a per acre basis than a comparable field corn crop, a grower is reluctant to replace field corn acres because it will reduce his base acres. Psychologically he wants to maintain the security of a base because of the profitability it has given him in the past, and what it might do for him in the future. This, in turn, leads the grower to produce field corn continuing an artificial glut that the program in fact is trying to reduce.

This situation is the same for all non-program crops. Open diversification to the grower for all of his acres to crops that the market wants means risking the loss of base acres that contribute directly to his income. Even though this diversification would increase free market decisions to the grower in his cropping efforts. Thus, allowing supply and demand to determine production of not only field corn but soybeans, wheat, oats, etc.

What we have seen happen as a result is the majority of our popcorn will replace soybeans or be used on those fields where there is not an established base. This normally is not conducive to good rotational practices for the grower, since he must put his popcorn on bean stubble, setaside or wheat acres. It usually means beans back on beans with increased disease, insect and weed problems.

Suggestions for Improvement:

Allow non-program crops to maintain a grower's field corn base if that is what he is replacing with the non-program crop:

1. Loans and ARP payments would only apply to field corn actually planted. No payments to non-program.
2. Would require a grower to have a predetermined % of cropland setaside. The same for all program participants.
3. Must be available for all non-program crops -- we cannot isolate certain specialty interests.

Benefits:

1. Would stop penalizing a grower for reducing his field corn acres when he grows a non-program crop, which ironically is exactly what the farm program is trying to do in the first place.

2. Would decrease government payments because of fewer acres eligible for subsidies.

3. Would allow the free market to determine what crop he grows. As a contracting company, we would still compete against other alternatives that a grower has, including field corn.

4. This would allow the grower to benefit from any number of opportunities he might have from alternative crops and not decrease his base acres.

II. Timing When the Program is Announced:

The majority of all contracts for specialty crops are recontracted on an annual basis, between December and March. For a contracting company to develop a contract to take to the growers and then for the grower to be able to make a decision the government feed grains program has to be known. Until that point in time, he doesn't know how much setaside it will require, or any intricacies involved within the program. As a company, we also are not aware of any provisions that might affect us until it is announced.

Suggestions for Improvement:

1. Declare the field corn program in October/November of each year and stick with it.

Benefits:

1. This allows growers adequate time to make fertilizer, lime and cropping decisions at an early date.

2. A grower will be able to evaluate the benefits of a contract crop early enough to make intelligent decisions about how it will fit his operation.

3. Contracting companies will be able to develop their contracts early enough without fear of being caught by a twist or addition to the farm program in February and March.

III. Awareness of Programs for Non-Program Crops:

In late February of last year, we became aware of a little-known provision in the farm program that could have had a large impact on popcorn production, as well as other non-program crops. The problem is the directive was delivered on December 2nd to all ASCS offices and buried into their files.

It was designated as Notice PA-1258, and stated the following in paragraph 5:

> "(5) Using Other Non-Program Crops for Credit Towards P & CP
>
> For 1989, ONPC acreage up to 20 percent of the permitted acreage may be credited towards P & CP for history purposes if:
>
> A. The producer plants at least 50 percent of the crops permitted acreage, and
>
> B. Does not designate CU acreage for pay under the 0/92 or 50/92 provision."

With our inquiries to ASCS county offices about the proposal, no one was aware of it. But once they looked up the notice number we gave them and read paragraph 5, they all agreed this was part of the program

The discouraging thing is that months had elapsed since it had arrived and there was no word to anyone of the provisions. Even with our efforts to understand all aspects of the farm program, it took us this amount of time to find out ourselves. Major ag news services and periodicals also had on reports on the provision.

Suggestions for Improvement:

1. Develop a mailing list of contracting companies that deal with non-program crops that would be interested in hearing provisions of the farm program.

2. Have news releases that deal with non-program crops and their relationship with the farm program.

3. Include contracting companies in policy discussions as how the affect of proposed legislation would affect specialty and non-program crops.

Benefits:

1. Awareness, knowledge and information would promote program benefits and understanding to all growers and contracting companies.

2. Allow all growers equal access to legislation information to benefit equally from its results.

3. Promote farm programs so that they are being utilized.

IV. Treat Non-Program Crops Alike:

As a final statement, we feel it is vitally important to treat all non-program crops equally in respect to cropping status concerning the farm program. To involve certain specialty crops in one program and not others would be devastating to prices needed to produce these crops depending on which side of the fence they fall on.

Indiana Farm Bureau Cooperative Association, Inc.
Testimony House Agriculture Subcommittee on
Wheat, Soybeans, and Feed Grains
Logansport, Indiana
August 8, 1989

My name is David Kuk, Eastern Region Manager, Indiana Grain, a Division of Indiana Farm Bureau Cooperative Association, Inc.

Thank you for inviting our Cooperative to testify before the House Agricultural Subcommittee on wheat, soybeans, and feed grains.

Our cooperative system is owned by over 60,000 farmers and provides farm inputs and markets grain for eight out of every ten farmers throughout the state of Indiana.

The Food Security Act of 1985 has been important legislation in improving the health of our farm community, as well as improving the financial condition of the infrastructure that supports it.

The ability of our farmers to compete and succeed in a world market is tied heavily to U.S. agricultural policies. At times, these policies have been restrictive, as was the case in the late 70's and early 80's. More recently, through the 1985 Farm Bill, these policies have been conducive to enhancing the export opportunities for American farmers.

With the success of the Food Security Act of 1985 also comes some concerns. Few people would question that worldwide demand for foodstuffs is growing. The central question then becomes, "Which countries agricultural policies will allow their farmers to meet this demand?"

If the United States is to meet this demand, some changes to the Food Security Act of 1985 will need to be explored. The changes will need to be addressed in the following areas.

First, we are concerned that too many acres are being idled in the Conservation Reserve Program.

Next, we believe that the 1990 Farm Bill should include planting flexibility for our farmers. Planting flexibility that allows them to respond to market factors rather than specific program crop policies, while at the same time allowing them to participate fully in program benefits.

Next, we believe supply side management through acreage set asides should be a last option in our tool chest of farm policies, not the first.

Finally, we believe that the 1990 Farm Bill must enhance the environment which allows our farmers to sell their products in the world market and, consequently, succeed in their farming endeavor.

Representative Jim Jontz, we are very appreciative of the opportunity to share some views with you and your committee. We are convinced through forums such as this Congress will reach a consensus from the various interested parties which will culminate in a successful 1990 Farm Bill.

Additionally, Representative Jontz, your visibility within the farming community of your district, as well as your visibility with the interested parties of the infrastructure of farming, certainly does not go without notice. Our Cooperative is appreciative of your interest and to the understanding of our views.

POSITION STATEMENT
TO
HOUSE AGRICULTURE SUBCOMMITTEE ON WHEAT, SOYBEANS, AND FEED GRAINS

Tuesday, August 8, 1989
Logansport, Indiana

Introduction:

I would like to thank committee members for the opportunity to testify today and appreciate the interest shown in hearing from constituents.

Briefly, I will give some background on the trade group and organization I represent and then address the two key issues to be covered today.

The specific trade group I am speaking for primarily is the hybrid seed corn industry. Our industry develops, produces, and markets the seed that farmers plant in producing our nation's corn crop. With 70-75,000,000 acres of corn planted, the total market for hybrid seed corn in the U.S. is approximately 25 million units. One unit (80,000 kernels) plants approximately three acres of commercial corn. Total sales for the hybrid seed corn industry is approximately $1.5 billion. Approximately 50% of this market is comprised of ten companies. The remaining 50% of the market is shared by some 200 small and mostly family owned companies. The organization I represent, Edward J. Funk & Sons, Inc. (Super Crost Seeds), is in the top ten category with about 3% market share. Therefore, my company is a significant "player in the industry", but is by no means the largest company within the group. We represent a "middle of the road" organization in terms of size. Additionally, my organization is owned by British Petroleum's Nutrition group, which also includes Purina Mills (Animal Feeds) in the U.S.. Edward J. Funk & Sons' primary business is hybrid seed corn.

The overall objective I have in this testimony is impart two viewpoints. These involve the inclusion of seed corn production acreage as a program crop and crop utilization research.

The first issue deals with the continued inclusion of seed corn production acreage as a "program crop". During the spring of 1989, an effort was made to exclude seed corn production acreage from receiving deficiency payments. Due to the lateness of the action and lobbying by the seed trade industry, this exclusion was not made. The seed trade, and specifically hybrid seed corn producers, want seed corn acreage to continue as a program crop. The reason for this is as follows:

1) Seed corn contracts are based upon current market prices for corn. If prices are below target, the farmer should be entitled to the deficiency payment just as he would be for growing a commercial crop of corn. We as companies do not receive the payment.

2) To eliminate the deficiency would force companies to augment their production by making up this difference. The total added cost to the seed industry is estimated at $50-$125,000,000 and, therefore, the added cost per unit of seed corn sold to the farmer could rise by $2-$4.00. In essence, the farmer in a round-about way, would be paying the deficiency through increased costs of their seed corn price. This, we feel, is not fair, and as long as the government price support program exists, seed corn acreage should be included.

We would support the "triple base" concept if the optional crop portion included "seed corn acreage". As a final note, if any change in the seed corn acreage area would occur, this change should be communicated to local ASCS offices prior to January 1990. This allows companies time to react and make appropriate changes to production contracts.

A second issue we see as critically important to U.S. agriculture is to develop, create, and enhance our markets for corn and soybeans both domestically and internationally. We see two important areas under this topic.

First, we feel strongly the export enhancement programs are very beneficial. Any action to make U.S. oil and feed grains more competitive globally is crucial. This program appears to be working and should be supported in future legislation.

Secondly, we feel funding of research at land grant universities oriented towards corn utilization should be a priority. Outright funding of worthwhile projects would be ideal, plus the possibility of "matching" funds from USDA for projects supported by trade or industry groups should be considered. Utilization research would benefit the farmer and my industry and ultimately, perhaps, reduce the need for price support and acreage reduction programs.

Areas of specific focus would include: corn starch based biodegradable plastic products and fuel ethanol. While the parent company of my organization (BP) would to most people appear to not favor this proposal, it is quite the contrary. We feel investigating and utilizing renewable resources and practicing environmentally sound principles are both economically sound and responsible when looking long term.

In conclusion, retention of seed corn acreage as a program crop and emphasis of utilization research and export enhancements are viewed as important issues in the 1990 farm bill. I appreciate this opportunity to make these viewpoints known and to participate at today's hearing.

Prepared by
Roy M. Johnson
Edward J. Funk & Sons, Inc.
Box 67
Kentland, Indiana 47951
(219) 474-5111

RMJ:cs
8/7/89

INDIANA FARM BUREAU, INC.

TESTIMONY

HOUSE SUB-COMMITTEE ON WHEAT, SOYBEANS & FEED GRAINS
Holiday Inn - Logansport, Indiana

Presented by:

Mr. Larry Boys
R. R. #1
Peru, Indiana
Telephone (317) 473-5070

Mr. Chairman:

Thanks for the opportunity to testify. My name is Larry Boys, owner and operator of a dairy farm in Miami County, Indiana. I farm 300 acres and have 100 milking cows.

Thanks to Congressman Jontz and Congresswoman Long for their efforts on behalf of farmers and Congressman Glickman for coming to Indiana to hear directly from farmers.

I am here today representing the Indiana Farm Bureau, a general farm organization in Indiana. Four of every five farmers belonging to an agricultural organization are members of Farm Bureau.

1. Overall farmers in Indiana have been satisfied with the 1985 Farm Bill. It moved us in the direction of a more market-oriented agriculture and has helped us become more competitive for markets abroad. Our domestic grain stacks have been reduced significantly, primarily because of the (EEP) Export Enhancement Program.

2. Looking to 1990 and the farm bill that will start us through the next decade, we feel it is important to stay on a course that will move us closer to the goal of a market-driven and market-oriented agriculture.

There are several reasons for this Mr. Chairman but the primary reason is one of future opportunity for agriculture. If we are not competitive for international markets and we choose in the 1990 farm bill to encourage production through artificially high government prices, then we run the risk of reducing corn production by one-third and soybean acreage by one-half in the state of Indiana. This is the amount of production that goes to foreign markets. Agriculture is this state's biggest industry.

CORN production in state: $1.2 bill
SOYBEAN production in state: $.7 mill
HOG production in state: $ 8 mill

3. We will need a farm bill for the 1990's that has flexibility from a production standpoint as well as flexibility on the marketing side.

If the 1985 farm bill falls short in our view it is in the area of flexibility. We need to be able to shift more easily from one crop to another to fit current market needs than we are now able to do. For example: soybean acreage has suffered in recent years because the current program encourages farmers to plant corn - even when the market signals for increased bean acreage. Most farmers will not sacrifice corn base acres - even when bean prices are higher. One of the biggest challenges of the 1990 farm bill will be to provide flexibility without negatively impacting non-program crops.

4. Our major problem as farmers is not domestic competition today but international competition. Like it or not we are part of a very active world economy today and the self-reliance of being able to provide all of our needs domestically is only a myth. We recognize that we do not farm in a vacuum - many factors affect our opportunity for profitability. Farm policy must take into account global political and economic forces but we must be given equal opportunity to compete with foreign producers. It is important that Farm Program legislation not be held hostage in 1990 to talks involved in the GATT. There has been talk in some quarters that we should either delay or extend current legislation for a year or two to see what develops from the current trade talks. We feel this would be very harmful to U.S. agriculture if this is allowed to happen. As the leading exporter of food and fiber world-wide, we feel it is important to move forward with a farm bill that lets our trading partners around the world know we mean to continue as the leading agricultural exporter in the world. We need to press hard in the GATT for the reduction of trade distorting subsidies and the elimination of market access barriers. We must be allowed to compete on a level playing field. If our competition is fair, I believe we can compete with anyone.

5. The budget and taxes are two very important factors in the farm program legislation. Farm Program costs have been declining from some $26 billion in 1986 to around $14 billion this year. However, as farm program costs decline, balancing the budget should not be at the expense of farmers alone.

A 1% increase in interest rates take away $1 to $2 billion in net farm income. This is the reason budget and tax considerations are so imporetant to farmers as you begin discussions to shape the 1990 farm bill.

6. I want to close with and emphasize a statement made by American Farm Bureau President, Dean Kleckner, before your Committee in Washington last month, concerning environmental considerations in the 1990 Farm Bill and I quote "our first concern is with the opportunity to produce. If the environmental portions of the new

farm bill are so restrictive that farmers and ranchers lose the opportunity to use the resources they control, then the farm bill will be a failure, regardless of other provisions it may contain."

Farmers are good stewards of the soil Mr. Chairman. It is our livelihood. But we must be given flexibility to use wisely the resources we own to continue the abundant high quality production of food and fiber that benefits us all.

Thank you again for this opportunity to present our views.

Thank you and Good Morning! I am Charles Fear, Fulton County Farmers Union President and District 1 Committee member of Indiana Farmers Union. We are a general farm organization serving nearly 300,000 farming and ranching families across the country. I appreciate the chance to be here this morning. My statement offers Farmers Union's farm bill suggestions coming from the 87th annual convention held last March in Little Rock, Arkansas.

I was a delegate at this convention and feel very strongly that we stand for the sustainability of Family Farms whether we are discussing commodity programs or the best stewardship of our soil and water resourses. The single best thing we can do to encourage good resource stewardship practices is to give farmers the realistic hope of passing a profitable farm operation down to the next generation.

NFU stands for a simplified and more direct program that returns to the goal of assuring producers a reasonable livelihood by providing price and income protection on a family farm level of production.

Wheat and Feed Grains bases should be established on units of production sufficient to meet our domestic, export, and reserve needs - farmer owned reserve should be used to prevent shortages - on-farm storage should be paid the same as commercial storage.

* A cost saving measure for farm programs would be to target programs to reach only the intended beneficiaries. We would prefer a targeting plan that concentrates on supporting the family farm system of agriculture over a plan that calls for supporting a percentage of all farmers' production.

* Sec. Yeutter's preferred way to balance the agricultural budget seemed to be to reduce farm income dollar for dollar saved in the budget. We do not believe that raising loan rates alone will cause disaster for the one-quarter of agriculture's cash receipts that come from exports. We believe that low prices are the problem, not the solution. Loan rates should be raised to current market price levels or, at the very least, the Findley provisions should be repealed.

* We support crop insurance but, cannot advocate an end to disaster programs until more coverage is available on more crops in more places. For crop insurance to ultimately replace disaster programs, there must be at least one catastrophic coverage option that performs the same function of providing for lost income. We advocate a permanent catastrophic loss pool and recommend increasing available coverage by raising yield options and covering production costs. Subsidy levels hould be increased, or at least made the same across coverage levels.

* Environmental issues must be addressed in the 1990 farm bill. CRP could be used as a last resort for land on which the soil type is too sandy to allow any type of chemical use without leaching in to groundwater, and for which non-chemical alternatives aren't feasible.

* What makes the cross-compliance, sodbuster, and swampbuster provisions effective is the fear of losing program benefits. If program benefits are removed any way, we are virtually guaranteed that marginal lands will be kept in production.

* Simplify the farm programs - but don't simplify by eliminating them.

* Work with existing programs by: First, simply making payments based on units of production instead of acreage would not only allow USDA to predict program costs with a greater degree of certainty, it would allow farmers to farm using crop and field rotations that make sense for their operation.

* Second, allow producers a one-time opportunity to prove actual yield.

* Third, farmers should be able to enter into long-term rotations with such crops as alfalfa or legumes without violating sodbuster requirements and without losing base.

* More research and education is needed on water quality. There is a need for a balance between incentives and penalties, conservation goals and production needs.

* We need to develop practical low-input and non-chemical alternatives for more commodities, not just to protect groundwater and lower farm input costs, but to decrease the potential for pesticide residues remaining in our food.

* We need a fully staffed Food Safety and Inspection Service, close cooperation among USDA, EPA and FDA, and we need a farm bill that demonstrates a commitment to sustainability.

* We are concerned that the GATT agreement to harmonize health and safety standards means lowering our safety standards at the same that foreign levels rise.

* GATT/TRADE NFU is deeply concerned that the United States is allowing the agricultural export "tail" to wag the domestic farm policy "dog". Export is only 20 - 25 % of cash farm receipts, and exchange rates, global unemployment rates, weather, and other economic and social factors over which Congress, USDA, and our trade negotiators have no control could easily lay asunder the best laid export plans. Farm programs are, by necessity, primarily domestic policy tools, and we object to their characterization as "trade-distorting subsidies".

* USDA's efforts to administer the domestic farm programs established in 1985 as tools of foreign policy has caused an outward migration from Rural America and left Congress working to pass rural development legislation in an effort to revive and repopulate our rural areas.

* Sec. Yeutter suggested that taxpayers may not be willing to continue paying high levels of farm subsidies. He may be right, particularly as taxpayers realize how much of their money has gone to multi-national grain traders - who were already posting record profits - to help them regain market share. It is true that we have spent more money on farm payments in the last eight years than in the entire history of farm programs. But, many of those payments helped farmers to keep paying their creditors - during a time when the market value of their crop was being driven down by the government.

* USDA's failure to understand the willingness of our competitors to fight for markets has led to a tremendous escalation of export subsidy costs. International negotiations should begin immediately in two areas. First, we must negotiate with debtor nations in the third world to reduce their debt in exchange for economic reforms that will improve their people's standard of living. Second, for existing markets, international negotiations should take place to achieve long-term agreements on agricultural production and prices, i.e., fair trade.

* There are several other areas which ought to be addressed in the 1990 farm if they cannot be resolved this year. Domestic hunger, rural development, agricultural credit, research into industrial uses for agricultural commodities, extension service activities, grain quality standards, and reform of the Packers and Stockyards Act are just a few. NFU looks forward to working with this Committee on these as well as the 1990 farm bill.

* Thank you, Mr. Chairman. I would be happy to answer any questions that you or Members of the Committee might have.

Testimony Prepared for
Subcommittee on Wheat, Soybeans, and Feed Grains of the House
Agriculture Committee
Logansport, Indiana
August 8, 1989

My name is Larry Erb, I farm at RR 2 Box 84A, Remington, Indiana. I am Vice-President of Indiana National Farmers and a member of the Board of National Farmers Organization.

The one thing I want to impress on you, is that the 1985 Farm Bill is not the answer that some claim it to be. It was a Bill that was written by the Grain Companies, for the Grain Companies, to benefit the Grain Companies. It is a Bill to subsidize the users of grain, not the growers of grain. The Foreign users of grain benefited more than the American Farmer. First, the 1985 Farm Bill has provided for the U.S. Department of Agriculture to become the major determining factor in setting the price for farm commodities in the marketplace. Commodity certificates, CCC sales catalogs, direct export subsidies, and release of farmer-owned reserves have all played a significant role in affecting market prices. Now that prices have been driven down to very low levels, we now have to limit "Subsidies" because of Budget Limitations.

These lower prices become the expected price for our crop. We now argue over whether or not to lower to this level or that level. The Free Market people are calling for more flexibility in planting , forgetting that the market can call for more of a crop any time that it raises the price to a level that entices the farmer to plant more. These same people seem to want to force farmers to plant more of a crop without raising the price level.

We need to raise the support level on corn, soybean, and wheat and lower any Deficiency Payment so that the market pays for the grain instead of the Federal Treasury. This will solve the Budget problem very painlessly for all concerned. At, the same time we need to change the farm production base to a farm bushel or poundage base with price supports limited to the established bushel or poundage base for the farm. The farm production base could then be adjusted up or down from one year to another based on a national production goal for each of the commodities. This would provide much greater planting flexibility, since a producer would not have the concern of base preservation and the farm's program benefits would not be measured by the number of acres planted. This would cut the incentive to increase acreage yields through heavy chemical application,thereby giving a favorable environmental impact. the cost would be limited to the price support on the bushel or poundage base for the farm. This would be a much simpler program to administer and understand. What we need to design, is a program that will benefit farmers.

One thing that seems to be out of place is the high storage rate paid to commercial grain handlers. This rate has been raised at the same time that farmers supports have been lowered This rate should be no higher than the rate paid the farmer. There should be no in or out charged paid to commercial grain handlers unless it is paid to farmers. Farmers have higher costs involved in handling and storing grain than do the bigger elevators but are paid as much as only 1/3 as much as the commercials. With this lower rate for storage paid to commercials, maybe the Grain and Feed Dealers would not be as interested in a grain program to raise a surplus of grain for them to store. This lower rate would save a large amount, in as much as 1/3 of the budget for the farm program has been paid to the grain trade, for storing surplus grain and subsidies to export the grain for about ½ of the cost of growing it. Also, it has been my experience, that this grain spoils much of the time, and after this spoilage, it is blended into the grain that the farmers have taken so much time, labor and money to grow, thereby ruining all of this effort. I was by one of these temporary grain storage sites as it was being emptied and the stench was worse than any pig lot that you could imagine. This "Grain" was being blended into good grain to contaminate all of it. I was by another last week and it smelled worse than any corn that I ever smelled from a farm. I was told that it was only 15% to 20% damage. Of course this will be blended into good new corn this fall, as it comes in from the field, as perfect as nature can produce it, to ruin it all.

Of course, the one thing that could really help Family Farmers, would be a Secretary of Agriculture that is an advocate for them instead of an adversary. Every time that the price of grain starts to rise something happens like a report that is very disruptive to the markets. Maybe this is just coincidence, but farmers have had an awful lot of coincidences the last few years. The enclosed editorial by Jack Anderson helps explain what I mean.

Last year when supply was being curtailed very sharply by the drought, in late June the CBOT raised the margin requirement twice in one day and then removed the limits for the grain contracts on the same day. This signaled the markets that this was as high as the price would be allowed to rise. After this the market varied but never went any higher. This year when the price started rise because of demand, and Ferruzzi bought grain to fulfill demand, they could not get them to sell as easily as they had as much money as the other traders and could not be forced to liquidate with the usual maneuvers, they just called for them to liquidate their contracts to break the market, which it did. To add insult to injury Secretary Yuetter applauded the action, immediately. The selling of future contracts by the large grain companies who offset Ferruzzi's position is negative to the market and if companies can do this without having the grain and without the threat of having to deliver it, they will have a fool-proof method of deflating the market so they can purchase supplies cheaper. The only way to keep commodity exchanges fair to both buyers and sellers of futures contracts is to have sellers fully understand they must be able to deliver the product. The unchecked short selling of grain on the CBOT makes the supply limitless. The Board can only be an effective determinant of prices if the Board supply is proportional to the actual supply. Ferruzzi is not the bad guy here. The short sellers and the CBOT, by virtue of their actions, are the real culprits and should face the situation squarely.

I want to bring up the fact that the Family Farmer is the most productive system ever devised, and we want to preserve it. The USSR has destroyed their system and they are paying for it over and over. The enclosed story from Farm Journal very adequately describes their situation. I think that it is something to ponder.

I want to thank you for this opportunity to give you my ideas and remarks.

Enclosure 1 Jack Anderson Editorial
Enclosure 2 Farm Journal Story

(Attachments follow:)

No friend to family farmers

Washington merry-go-round

Anderson is Washington's most-syndicated columnist, writing about behind-the-scenes abuses of the public good.

By Jack Anderson
United Feature Syndicate

WASHINGTON — New Agriculture Secretary Clayton Yeutter was billed as the best qualified American for the job. It turns out he may be the best qualified to ensure big profits for corporate farmers and foreclosure for the rest.

Yeutter has spent his first six months in office boosting the interests of corporate agriculture, thumbing his nose at family farmers and, as a sideline, promoting the Republican Party at the taxpayers' expense.

A former trade representative in the Reagan Cabinet, Yeutter is a cheerleader for free trade, even if it means the demise of some American farms.

Yeutter has offended people on both sides of the political aisle. Rep. David Nagle, D-Iowa, told us Yeutter's first six months were a "disaster." Nagle said, "Our worst nightmare would be to have the archenemy of the American farmer as secretary of agriculture, and that's exactly what we have with Secretary Yeutter."

A Republican congressman told our reporter Tim Warner that Yeutter is more often an adversary than an advocate for farmers. One Democratic congressional staffer summed up his "unofficial" opinion of Yeutter with a raised middle finger.

Farmers are more likely to raise a whole fist when the name Yeutter comes up. The secretary has made no secret of his agenda to get rid of any quotas that protect farmers but distort the free flow of trade.

Peanut farmers are a prime victim of Yeutter's knee-jerk philosophy. Production quotas keep American peanut farmers from flooding the market and that keeps the price just high enough so the farmers, currently recovering from a drought, don't go under.

If Yeutter had his way, the production quotas would be dropped and many small peanut farmers would be out of business within a year. Yeutter's friends, big food companies that use peanuts in their products, would revel in the lower prices.

In an ideal world, American farmers should be able to stand on their own in national or international competition without federal price guarantees. But in the real world, neither the free market nor free trade is free. The free-trade philosophy that Yeutter has pushed so adamantly has opened American markets to foreign producers of virtually every agricultural product. Yeutter can make no guarantees that American products will be as freely welcomed overseas.

The farmers might forgive Yeutter his shortsightedness if he showed a little more concern for their welfare when he traveled the country. Instead, he plays Republican politics. On a trip to Nebraska in May, Yeutter's pretense was to tour drought-ravaged farms, some of which had so little water they couldn't fill their toilets. Instead, Yeutter attended three Republican fund-raisers and drummed up $15,000 for the state GOP. He managed to stop for about 45 minutes at one farm in Elwood, Neb.

The taxpayers picked up Yeutter's $1,057 airline ticket to and from Nebraska and the state GOP paid for the short trips to the three fund-raisers and the farm. Yeutter's spokeswoman Kelly Shipp told us there was nothing illegal about the trip. She said Yeutter flies coach to save the taxpayers' money. But according to travel vouchers for the Nebraska trip and another jaunt to Iowa, the fares were in the first-class range. When confronted with those vouchers, Shipp admitted Yeutter sometimes goes first class.

When Yeutter isn't busy working against farmers, he is speaking against them. They ask for help from the drought and he tells them to ask their state and local governments.

And when it comes to stirring up public anger against farmers, no one does it better than Yeutter. At a recent speech to the American Seed Growers Association, Yeutter said, "The federal deficit would double or even triple if all requests for farm aid were honored." That typical Yeutter hyperbole only worsens the perception Americans have of their food producers.

☆ ☆ ☆

☐ **Memo madness:** Secretary of Health and Human Services Louis Sullivan seems to be reveling in the trivia of his office. Soon after he was appointed, Sullivan cut off privileges in the department's executive dining room for some agency officials who had eaten there for years.

Sullivan then began papering his staff to distraction. He recently announced, in a memo, that every memo sent to his office should be accompanied by another one-page memo summarizing the contents of the memo to follow. Sullivan's underlings are fuming over the busywork.

Farm Journal, /AUGUST 1989

"We have destroyed our agriculture"

An inside look at Russia's rural meltdown

By MARK KRAMER

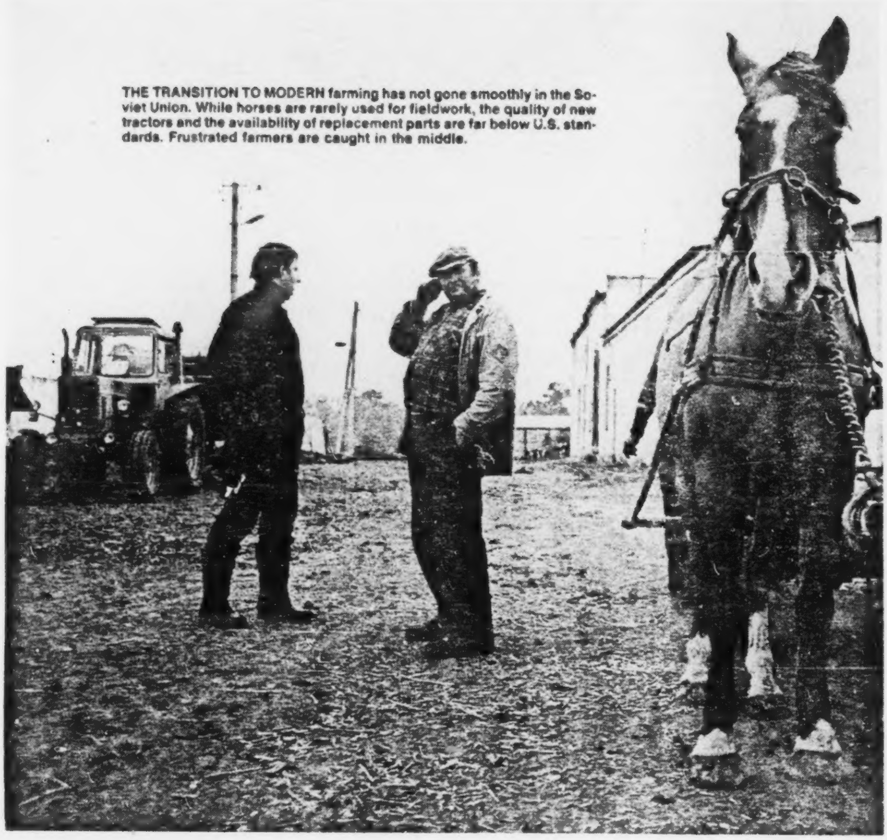
After years of chilly silence, the Soviets opened their agriculture last summer for my post-perestroika look at what 70 years of central planning can do for farming. I am Mark Kramer—writer and longtime student of agriculture. I traveled at the invitation of Yuri Chernichenko—an unusually frank farm journalist recently elected to the Congress of the People's Deputies. Last year, he went public with the previously whispered news that, while collectivizing private farms in the late 1920s, Joseph Stalin slaughtered 10 to 15 million people by starvation, execution and exile to cold places. That's how he erased private farmers. Chernichenko knows firsthand from his boyhood. His mother kept him indoors during that time for fear of cannibalism.

Yuri and I traveled for a month across the Soviet Union, visiting their farms, asking questions. We flew between cities, then drove through endless plains and rolling hills in a series of government limousines that dodged between struggling, fuming trucks on the choked rural roads. I saw why the Soviets have been reluctant to let foreign journalists observe collective farming. A few months afterward, I took Yuri on a similar tour of farms in Massachusetts, Illinois, Missouri, Iowa and California. But that is another story.

"We have destroyed our agriculture," Viktor Lishchenko, a high-ranking Soviet agricultural economist bluntly told us. "Our farms are disaster areas." The average Soviet cow gives only 40% as much milk as an American cow. A Soviet pig eats twice as much as an American pig, and takes 50% longer to finish. Using a third more combines, Soviet farms harvest half as much grain as we do, and waste a good deal of that.

Harvesting damages about 80% of the potatoes, and 50% spoil in storage, according to an article in *Isvestia* last fall. Other newspapers describe widespread soil erosion, declining fertility, ecological damage from irrigation ▷

A BIG WORRY in the Soviet Union is the aging of the country's farm workers. Already, there is evidence that the chain of families who yearn to farm has been broken.



THE TRANSITION TO MODERN farming has not gone smoothly in the Soviet Union. While horses are rarely used for fieldwork, the quality of new tractors and the availability of replacement parts are far below U.S. standards. Frustrated farmers are caught in the middle.

PHOTO GRANT [illegible]

projects and fertilizer runoff. "We have raped the land," Gorbachev himself was quoted saying earlier this year.

Casting a long shadow over farm efficiency is the stifling bureaucracy. "We struggled against private monopoly," said Soviet political economist Nikolai Schmelyov, "and got state monopoly. How can we organize competition in fertilizer and tractor manufacturing when we have three million professional supervisors?" Traveling through Russia with Yuri showed me how deeply entrenched and how dominant at the local level is the system Mikhail Gorbachev confronts.

Specialists—tractor drivers, breeders, carpenters and milkers—did the heavy work, carrying out commands from budgeters and coordinators and a hundred other officials in offices on the farms, in local and regional headquarters, and finally back in Moscow at the big superagency, Gosagroprom.

The bureaucracy was spoofed in a Russian joke I heard there: "You can tell me now," says Boris, a retired Soviet spy, while sipping vodka with John, a retired American spy, "Chernobyl . . . didn't the CIA make it blow?"

"No," answers John, "but we did invent Gosagroprom."

In a hundred fields and barns I witnessed Gosagroprom's poor results. How the Soviet Union's frustrated farm directors function at all is hard to imagine. The best workers drift away to cities, while the worst slackers stay. They work with mediocre tractors for which no spare parts arrive, although poor seed and wrong fertilizer do.

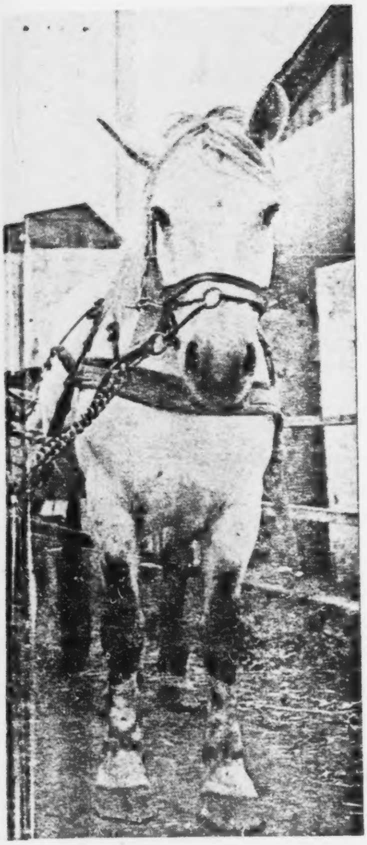
Many on-farm problems originate beyond the farm fences, in the skimpy infrastructure that leaves farms without the basic support services to be found in every Midwestern farm town. I watched a beefy machinist near Krasnodar grinding a homemade tractor gear he'd spent a day fabricating.

Near Gorbachev's home farm, I walked into a cornfield (while my KGB consort shouted, "Halt, it is forbidden to go there!") and counted just one ear of corn for every 50 pale stalks. We passed grain mountains rising in open storage yards. After a rain, another farm's Don 1500 combines—the latest from the Russian combine monopoly—bogged down in mud while a lighter Finnish combine kept working.

Driving in Stavropol, we saw grain pouring from the unlaced tarpaulin of a transport. In line with Stalin's fear of letting peasants keep control of the grain they grow, officials insisted it was more efficient to dry and store grain far from the farms. Economist Lishchenko explains that, "In reality the grain frequently stays on the farm and gets wet. Multiply this by many farms and many years; it is a big error. Sometimes we've had 40 million tons on the ground. Officials' secrecy was not only from the people, but from the leaders."

Dr. Pyotr Goncharov, director of the Siberian Research Institute of Plant

104



Breeding and Selection, says. "We use vast amounts of grain inefficiently, feeding animals. Half our feed is fed unprocessed, to animals not genetically efficient by world standards. We feed 150 million metric tons annually—twice what we'd need if we did it right."

Goncharov's openness was typical. Among the bureaucrats were some sincere officials, long frustrated and under no illusions about what was wrong.

Perestroika's best short-term weapon against such economic chaos is still considered experimental. They have built into a few organizations—known as "Agro-Industrial Combinats"—what the nation's infrastructure lacks. Viktor Postnikov came closest of anyone I encountered to a Western businessman. In the Soviet Union, wherever one finds such an exception to the norm, one next hunts up the protector. Postnikov grew up with Gorbachev. Now director general of the Stavropol Broiler Complex, he has assembled a conglomerate including several research stations, dozens of chicken farms, six processing plants and a string of local retail shops.

"We need no ministry, no Gosagroprom," Postnikov told me. "I fought in World War II, had bad legs ever since. But I've lost more health fighting Russian bureaucracy. Since '87, we have the right to engage in foreign trade, one of the few enterprises that can do so without permission. Hard currency comes directly into our account."

Gorbachev has proposed a new reform program. It calls for more self-managed farm units, more food processing capacity, for letting the worst farms go bankrupt, and for shrinking the huge Gosagroprom organization.

Behind the apartment houses and cottages in farm settlements, I saw peasants' plots. Averaging about ¾ acre, they were the best manicured ground on farms. On less than 3% of Soviet farmland, peasants raise about 30% of Soviet milk, meat, eggs and vegetables and 60% of potatoes and fruit. Only on private plots do people work hard to grow what they wish, consuming most of it, selling just 12% at market prices.

The work we saw on collective fields proceeded at a drearier pace. What saddened me most was how few opportunities I saw for most people to do work proudly. Over the past few decades farm officials have searched, like stubborn alchemists, for forms of labor organization that might inspire more dedicated effort, but have been hampered by bureaucratic prerogatives and the socialist ideology of equal pay.

The newest plan for reorganizing farm work, the one Gorbachev hopes will ignite workers' dedication, is the "lease contract brigade." Small cooperative groups and families will be able to lease farmland and receive machinery from the collective farm. Although they may still have to sell their crops to the state, this plan has potential to put farmers in charge of their farming.

I was shown three lease brigades. Unhappily, none reminded me much of an American family farm. All were creatures of parent collective farms that still planned, budgeted and supplied them, leaving little room for personal initiative or pride. Boards and experts dictated their crops, planting dates, issued machines, seed and mandated marketing plans and prices.

"Now it will be hard to attract city people [to the farms] . . . the chain has been broken."

—Zhores Medvedev

Workers did schedule chores themselves. And wage caps were gone, so high pay was in the offing. Extraordinary expenses such as repair were deducted from gross income, which promoted careful machine operation. And the family units that ran them hoped to work the same land every year—although the leases ran five years, not the 50 years that Gorbachev had urged.

Even if the local authorities suddenly permitted lease farmers to work unsupervised, there are probably too few real, broadly competent farmers, and not enough support services, for them to run efficiently.

As Zhores Medvedev, the exiled Soviet historian, said to me, evaluating Gorbachev's initiatives, "The plan is rational, but I don't see family farming emerging as a broad movement. This could have worked 20 years ago, when farmers still lived in rural areas. Now it will be hard to attract city people, even if they get 50-year leases, because they can't milk a cow and don't have the psychology. These things were passed on by each generation for hundreds of years, but the chain has been broken."

Others are more hopeful. Gorbachev has, at least on paper, slayed the monster agricultural superagency Gosagroprom that he created when he was the chief Soviet agricultural minister.

Subsidies still prop up grossly inefficient farming methods. "It will take time," said political economist Nikolai Schmelyov, "but with lease brigades, some of our collective farms can be livable—even competitive—if freed from the administrative pyramid. There are still 200,000 orders, decrees, official instructions. I believe in general mess—general chaos, nothing strictly regulated. Let some farms survive, some perish."

Gorbachev's political genius opened a frozen system to an exciting, difficult period of transformation. I came to understand perestroika as the lighting of a bonfire on a high hill in a bleak land, a fire glimpsed from all over, recalling the troubling fact of warmth to chilled citizens even when it does not itself warm many yet. If the warmth spreads, we may have to revise our views of Soviet dependence on imported grain. ◀

Editor's Note: *Mark Kramer is Writer-in-Residence at Smith College and author of* Three Farms: Making Milk, Meat and Money from the American Soil *published by the Harvard University Press.*

INDIANA STATE GRANGE SENTIMENTS

Farm bill should not wait till after Uruguay Round MIN as farmers should know what directions farm programs are going, so they can plant crops accordingly. We recommend to keep the 1985 farm bill, with these changes.

Small farmers says it isn't right to not have more than one small set aside plot lest than five acres. This penalizes the small farmer because if he has small fields and may have wheat and corn planted. He would not be able to set aside in each field even if these are across the fence from each other. But a large farmer takes his fences out and can have his plot anywhere. Some think the government should ease out of ag as exports increases the farming industry receives 1% of the federal budget. The farmer spends much more than they receive compared to the other government subsidies business.

Marginal ground with erosion (CPR land) should be kept in this program but be allowed to raise timber for pulp wood etc. as there is a shortage of this material on this kind of land.

The Food Security Act of 1985 met its major objectives and should be kept with its current changes.

Swampbuster (wetland). We believe small plots of less than 1 1/2 acres should be allowed to be drained with out being penalized. There should be more flexibility in croping such as planting another crop in demand like tomatoes, pickles, canola, oats, soybeans etc. without loosing your base. At present you are forced to raise a full base with setaside or lose a percentage of it.

LISA -- needs more research on perforation rate before the rates of chemical uses can be regulated. I don't believe it is possible to eliminate them completely. We will need more testing of wells or water source.

The Grange supports the marketing loan program as a replacement for the present commodity programs. A modified version is contained in the 85 act for cotton, rice, and honey (also for wheat & feed grains at the discretion of the Ag. Secretary.) We believe this program should be applicable to wheat, feed grains, & soybeans. In fact it could be more effective as a "Pure marketing loan.)

The market loan is a new concept for the commodity loan program by which farmers who place their crops under loan with the commodity credit corporation (CCC) would repay their loan at the original loan level, or at a level that has been determined by a set formula of domestic or world market prices, whichever is lower. The other difference between a "pure" marketing loan and the regular loan program is that a "pure" marketing loan is a recourse loan that must be paid back whereas a regular loan is a non-recourse loan the farmer can repay by abandoning the crop to the CCC as full payment.

Listed below are many of the benefits of the marketing loan program that appeal to farmers, export interests and the government:

- The formula would allow United States' commodities to be competitive on the world market.
- The repayment formula will maintain an adequate income support for producers.
- A marketing loan will allow the market to clear by eliminating the market-interfering aspects of the current program.
- It will reduce the need for supply management programs. But when such a program is necessary, it removes the incentive for our competitors to expand their production because we will remain price-competitive, thus encouraging our competitors to share in our efforts to adjust production when surplus commodities exist.
- The marketing loan will avoid the government's programs of storing surplus commodities, which become costly to store and which may ultimately reduce prices.

I feel that grain terminals should not be paid any more than the individual farmer is paid for grain storage. It is simply not fair to pay different prices for the same services.

Sincerely,

INDIANA STATE GRANGE EXECUTIVE COMMITTEEMAN
Dwight Plank
Dwight Plank

INDIANA CORN GROWERS ASSOCIATION
8770 GUION ROAD, SUITE A • INDIANAPOLIS, INDIANA 46268
TELEPHONE: 317-876-9311

STATEMENT
by
DEAN EPPLEY
VICE PRESIDENT
INDIANA CORN GROWERS ASSOCIATION
before the
COMMITTEE ON AGRICULTURE
U.S. HOUSE OF REPRESENTATIVES
on
August 8, 1989
Logansport, Indiana

Good morning, I am Dean Eppley, a corn, soybean and canola farmer from Wabash, Indiana. I am currently serving as the Vice President of the Indiana Corn Growers Association. Thank you for this opportunity to visit with you today to discuss the outlook for new farm legislation upon the expiration of the 1985 Food Security Act.

The flexibility and adaptability of the 1985 Food Security Act allowed us to successfully meet many challenges over the past five years. These ranged from drought to record grain stocks to budget reductions and others. We want to discuss how this flexibility is critical in development of our upcoming farm legislation.

We believe that the base flexibility introduced during the 1989 crop year was an excellent, initial step in allowing farmers to make decisions based upon market conditions. Our first recommendation is that flexibility should be generic and not limited to non-program crops. The market may call for increased or decreased production among many different crops, however we cannot effectively respond because we are limited to non-program crops.

Secondly, we encourage the development of a Total Farm Base, instead of maintaining separate base histories for corn, wheat and others. This would also reduce the amount of paperwork necessary for each individual base and provide a greater degree of flexibility to the producer.

While the decrease in support prices in the current act has returned us to a competitive position in the world grain trade, a simple continuation of the lowering of the support prices is not necessary in new legislation. In 1990, the final year of the 1985 Act, the corn target price will be just $2.70 per bushel and the loan rate just $1.57 per bushel. With respect to current market conditions for corn and grain, target prices should be at least maintained at today's levels. In case inflation erupts again, we may need to examine some type of an inflation clause to adjust rates in order to account for increased production costs.

It is imperative that we commit to strong export expansion programs for corn and agricultural products. The U.S. GATT negotiators need a strong hand with which to deal with challenges from the European Community and others. We must resist the temptation to unilaterally disarm our farm and export programs in "good faith", hoping that other global agricultural powers which follow our lead. We need to continue various export programs, such as the Export Enhancement Program (EEP), and ensure that tariffs are not allowed to be placed upon feed ingredient products like corn gluten feed.

The new legislation should include a transitionary mechanism for phasing out domestic farm programs, if and only if, the GATT talks are successful and result in the negotiation of a multilateral agreement to phase out domestic and export programs. One such transition proposal is outlined in an attachment to my statement.

For over ten years now, the Indiana and National Corn Growers Associations have been supporting ethanol, both to lessen our dependence upon foreign energy sources and to adopt more environmentally-sound energy sources at home. Both Congress and the President are interested in doing everything possible to preserve our environment. We propose that the federal government enact legislation requiring all federally-owned vehicles to use ethanol-blended fuels. In this way, the government can demonstrate its commitment to a "clean-air" policy.

Along with ethanol, the market for industrial uses of corn has been expanding and this reduces the need for government price support programs. If we are to be the world leader in industrial research or even to keep pace with our competitors, we must commit to a vigorous research program to support and expand new and current industrial uses for corn. This should include the extension of the 6 cent per gallon exemption for ethanol from the federal excise tax to to year 2010. We must also be mindful that new uses, such as degradable plastics, use only certain components of our crops so continued research is necessary for a prosperous agriculture.

In closing, I am very pleased to appear before you today and congratulate you for holding these hearings. It demonstrates to farmers like me that you and your colleagues have a genuine interest in the issues facing corn farmers in Indiana.

(Attachment follows:)

TRANSITIONARY FARM PROGRAM
BASED UPON
MULTI-LATERAL AGREEMENT TO ELIMINATE SUBSIDIES

This program would be based upon a five-year phase-out period, but it could easily be expanded to a ten-year program. The three major components of this proposal are Deficiency Payments, Setaside Acreage, and Planting Flexibility.

We propose that these percentages be guaranteed regardless of changing market conditions.

	Deficiency Payments	Setaside Acreage (of base)	Planting Flexibility (of base)
First Year	100%	10%	20%
Second Year	80%	8%	40%
Third Year	60%	6%	60%
Fourth Year	40%	4%	80%
Fifth Year	20%	2%	100%
Sixth Year	0	0	100%

TESTIMONY OF NORB PILOTTE
BEFORE THE WHEAT, SOYBEANS & FEED GRAINS SUBCOMMITTEE
HOUSE COMMITTEE ON AGRICULTURE
LOGANSPORT, INDIANA, AUGUST 8
ON
"SOYBEANS AND THE 1990 FARM BILL"

Thank you, Mr. Chairman. I'm Norb Pilotte, a soybean farmer from Brookston. I appreciate the invitation to be here today. Mr. Chairman, I must say that Indiana soybean farmers are delighted that Indiana has two such able leaders ... Congressman Jontz and Congresswoman Long ... on this important Subcommittee.

Soybean farmers are especially concerned about several key titles on the 1990 Farm Bill: the soybean farm program, conservation and environment, international trade and research.

Farm Policy

A group of soybean farmers active in the American Soybean Association (ASA), including Tom Milligan from Dana, Indiana, is working to develop policy options for consideration by this Subcommittee to be presented this fall.

The majority of soybean farmers want more planting flexibility so they can plant for the market, not the mailbox. Why can't we make planting decisions based on what's best for our farming operations and what's best to capture market profit opportunities? Now many farmers are in "base lock," which forces them to plant as much program crop acreage as possible to preserve base and discourages sound rotation practices. More balanced crop rotations mean better pest and disease control, conservative use of fertilizer and chemicals, and lower farm production costs.

Soybean farmers also see the need for a soybean income support which is in balance with the support levels of other commodities. To give farmers greater planting freedom, it is important that government income supports not encourage production of one crop over another so farmers can make neutral planting decisions between crops.

Environment and Conservation

Another top concern of soybean farmers is environmental/conservation policy and its impact on future soybean production. Virtually all soybean farmers believe environmental policy will affect their ability to farm profitably *even more* than government farm programs. We need to have balanced environmental policies which protect ~~the~~ both the farmer and the environment.

Soybean farmers see an increased need for technical assistance on their farm. Educational efforts through the Extension Service or the Soil Conservation Service are a must to curb possible groundwater contamination. Additional research in the groundwater and surface water areas is essential to preserve the nation's water resources. USDA should take the lead in organizing and implementing this necessary research and education.

Soybean farmers support voluntary incentives to improve conservation/environmental practices. For example, since there is some doubt if 40 to 45 million acres can be enrolled in the CRP, soybean farmers think the definition of eligible land should be expanded to include "environmentally sensitive" land.

As for "LISA" (low input sustainable agriculture), farmer concern for our natural resources and farm economics for our natural resources have already moved farmers in the direction of "low input" practices. Additional funding toward biotechnology research, Integrated Pest Management, and Best Management Practices is a positive approach to further encourage wise use of agricultural chemicals without jeopardizing high quality, profitable production.

Agricultural Trade

Since half the U.S. soybean crop is exported, a strong trade title is very important to soybean farmers. The more successful the U.S. is in exports, the less the income support provisions will be needed. Soybean farmers face extremely tough competition in foreign markets from South American soybeans and soybean products, Malaysian palm oil, Canadian rapeseed, and European Community oilseeds. Much of this foreign production is subsidized.

Important programs for soybeans in the Trade Title are export credits, P.L. 480, the foreign market development "cooperator" program, and the Targeted Export Assistance program.

Research

Soybean research is very important to future profits. Especially important is authorization for aggressive basic and applied research on production efficiency, soybean quality improvement, new uses, improved use of farm chemicals and biotechnology. A sound agricultural research and information distribution system is very important if agriculture is to increase competitiveness and profits. Otherwise, our foreign competitors will outpace us.

Thanks for the opportunity to be here today. I'll be pleased to answer any questions you have.

INDIANA CORN GROWERS ASSOCIATION
8770 GUION ROAD, SUITE A • INDIANAPOLIS, INDIANA 46268
TELEPHONE: 317-876-9311

STATEMENT
by
DALE SMITH
DISTRICT DIRECTOR
INDIANA CORN GROWERS ASSOCIATION
before the
COMMITTEE ON AGRICULTURE
U.S. HOUSE OF REPRESENTATIVES
on
August 8, 1989
Logansport, Indiana

Good morning, I am Dale Smith, a corn, soybean and seed corn producer from Rochester, Indiana. As a member of the Dale Smith Farming operation, I am very interested in controlling risk and being profitable. I would like to address the following inequities of the 1985 Food Security Act and encourage your consideration of these suggestions.

The $50,000 payment limitation is probably the single-most irritating problem facing family farmers today. The United States recognizes that we must be competitive in a world market.

This means selling U.S. commodities below my cost of production. I, as a producer, am compensated for this disparity by a deficiency payment. The 1989 deficiency on corn is projected to be 89.6¢ per bushel. The $50,000 limit means that I cannot raise more than 429 acres of corn at an irrigated yield of 130 bushels per acre. Any economist will verify that very few family farms can survive on 429 acres of corn. Our only alternative to this unreasonable policy is having our family operation running at less than peak efficiency. The end results are the same to USDA at a considerable increase in expense to my operation. Hopefully this serious problem can be rectified in the 1990 Food Security Act.

FLEXIBILITY

An effective farm policy must allow producers the opportunity to produce for the marketplace. To do this, flexibility must be built into the new farm bill. As a producer, I strongly encourage the USDA and Congress to consider the following provisions to be enacted in the 1990 Farm Bill.

A) **Eliminate cross compliance of commodities.**
Most farms have been combined as a unit to practice better land management. By doing so, our base has also been combined. However, this restricts my planting flexibility. For example, the market today is telling me to plant $3.50 per bushel wheat, while I am required to plant $2.00 per bushel corn or be out of the 1990 farm program.

B) Proven and new irrigated acre yield recognized. The drought of 1988 forced producers to examine ways to control risk. Irrigation is the most effective way I know. It not only controls my exposure to loss, it also eliminates the need for the USDA or Congress to be concerned about another four billion dollar disaster bill. However, because I cannot prove my yields, I do not receive my irrigated yield thereby discouraging producers from controlling their risk. The end result is that it adds to the cost of farms programs. Proven yields are also recognized as a job well done, thru better farming practices. This encouragement reduces USDA's budget outlays over the long-term. FHA and FCS "write-down" programs and additional disaster payments only encourage farmers to wait for a bail-out. Encourage producers to control risks and farm program costs can also be controlled.

As a seed corn producer, I am faced with an additional burden regarding proven yield. ASCS officials have said my yields, for crop insurance or disaster payments, will be based on actual yields. However, this is not how I am compensated by the company for which I am producing. It would be more realistic for my yields to be based upon my "yield paid" rather than "yield harvested," due to the significant differences between commercial corn and seed corn production.

Better yet, I feel that seed corn is a specialty crop and should be reclassified. At the very least, a producer should have the option to declare these acres as program acres or not. By doing this, USDA is urging farmers to produce for the marketplace and it would allow producers more flexibility. One of my concerns is that good rotation practices continue to be hampered by the USDA restriction on Seed Corn classification.

The 1990 Food Security Act should also include the following provisions:

* Paper flow melt-down--multi-year certification, multi-year setaside acres verification, etc.
* Continuance of 0/92
* Maintain support for farm income through Target Prices and Non-Recourse Commodity Loans.
* Provide EEP to liquidate CCC stocks at world price levels, rather than government stockpiling. All surplus commodities should be included.
* Eliminate disaster payments and make federal crop insurance both workable and affordable. Coverage should also be expanded.

Thank you for allowing me to address this committee. Hopefully, you will consider some of these points in your preparation for the new Food Security Act.

BRYAN KIRKPATRICK
11678 E. RD. 200 S.
GREENTOWN, IND. 46936
317-628-2267

AUG. 8, 1989

WHAT CHANGES WOULD I LIKE TO SEE IN THE 1990 FARM BILL?

I WOULD LIKE TO SEE LOAN RATES AND TARGET PRICES RAISED TO A LEVEL MORE REALISTIC TO THE FARMER'S NEEDS. I WOULD RATHER SEE A PROGRAM BASED AROUND HIGHER LOAN RATES RATHER THAN CASH PAYMENTS OR PAYMENTS IN CERTIFICATES. THE GOVERNMENT SHOULD NOT HAVE LOWERED THE LOAN RATE AND OR TARGET PRICES FOR CORN, WHEAT AND SOYBEANS AS THE 1985 FARM LAW ALLOWED. IF THE GOVERNMENT NEEDS TO SUBSIDIZE THEY COULD SUBSIDIZE SALES TO UNDERPRIVILEGED PURCHASERS OF GOVERNMENT OWNED GRAIN RATHER THAN WRITING SEVERAL CHECKS AND CERTIFICATES TO EVERY FARMER. OUR GOVERNMENT COULD ALSO GIVE PROCESSED GRAIN TO STARVING PEOPLE THROUGHOUT THE WORLD AS AID. EXCESS GRAIN IN LONG TERM STORAGE IN THE U.S. IS VERY EXPENSIVE.

I THINK THE 1990 FARM PROGRAM SHOULD BE WRITTEN WITH THE INTENTION OF PHASING OUT DIRECT CASH PAYMENTS TO FARMERS IF AT ALL POSSIBLE. I RECOMMEND LOANS RATES BE RAISED TO A LEVEL TO WHERE A FARMER CAN EARN AN INCOME TO SURVIVE. IN 1984 THE LOAN RATE FOR CORN IN HOWARD COUNTY, INDIANA, WAS $2.55 PER BU. TODAY THAT LOAN RATE FOR THE SAME VOLUME OF CORN IS $1.67 PER BU. IN 1984 THE LOAN RATE FOR WHEAT WAS $3.30 PER BU. TODAY IT IS $2.13. IN 1984 THE LOAN RATE FOR SOYBEANS, WHICH WAS TOO LOW, WAS $ 5.05 PER BU. IN 1988-1989 CROP YEAR IT WAS $4.81 PER BU. SOYBEANS SHOULD BE RAISED TO NO LESS THAN $6.50 PER BUSHEL. HOW DO YOU EXPECT FARMERS TO EARN A RESPECTABLE INCOME WHEN THE GOVERNMENT SETS THE PACE FOR LOWER PRICES FOR OUR PRODUCTS, WHILE ALL OTHER COSTS TO PRODUCE A CROP KEEP INCREASING. THE NEW FARM BILL SHOULD BE WRITTEN FOR THE FARMER AND THE CONSUMER WHO PAYS OUR TAXES, NOT THE MIDDLE MAN.

IF GRAIN PRICES ARE ROCK BOTTOM AT HARVEST, I DEPEND ON CCC LOANS TO PAY MY RENT AND ALL OTHER BILLS. WITHOUT THE LOAN SOME FARMERS WOULD HAVE TO SELL THEIR CROPS AT THE LOW HARVEST PRICE. WE ARE AT THE MERCY OF THOSE WHO SET OUR GRAIN PRICES. FARMERS NEED RESPECTABLE LOAN RATES TO PREVENT GRAIN BARONS FROM TAKING ADVANTAGE OF THEM AT HARVEST. DURING BUMPER YEARS PRICES AT THE CHICAGO BOARD OF TRADE WERE RUN DOWN FAR BELOW LOAN RATES BECAUSE THE BUYERS KNEW THEY COULD BASICALLY STEAL THE GRAIN FROM THE FARMERS WHO HAD TO SELL AT HARVEST.

I AM NOT CONVINCED LOWERING THE LOAN RATES FOR GRAINS HAS BEEN AN ANSWER TO OUR GRAIN SURPLUS BECAUSE THE UNITED STATES SETS THE TONE FOR THE WORLD. THIS IS WHERE SUBSIDIZING UNDERPRIVILEGED PURCHASERS AND STARVING NATIONS WITH OUR GRAIN WOULD SEEM TO BE LESS EXPENSIVE THAN PAYING EVERY FARMER IN THE FARM PROGRAM IN CASH OR CERTIFICATES.

THERE WOULD BE MUCH LESS PAPER WORK AND HASSLE IF THE FARMER COULD JUST TAKE A LOAN ON HIS CROP AT PROFITABLE MARKET PRICES DURING THE BAD YEARS. IF THE LOAN HASN'T BEEN PAID BACK IN NINE MONTHS OR SO , THE GRAIN WOULD THEN BECOME THE PROPERTY OF THE GOVERNMENT AND THE FARMER WOULD OWE NO INTEREST.

I WOULD LIKE TO SEE TARGET PRICES RAISED AT LEAST TO THE LEVELS OF 1984. THE TARGET PRICE FOR CORN IN 1984 WAS $3.03 PER. BU., NOW IT IS $2.84 PER BU. THE TARGET PRICE FOR WHEAT IN 1984 WAS $4.45, NOW IT IS $4.10 PER BU.

IF CONGRESS ELECTS TO USE A FARM PROGRAM SIMILAR TO THE 1985 FARM PROGRAM I FEEL OUR PAYMENTS SHOULD REFLECT OUR TRUE YIELDS AND NOT A YIELD WHICH WAS ESTABLISHED YEARS AGO.

THE FARMERS COSTS FOR MACHINERY, AUTOS, TRUCKS, REPAIRS, SUPPLIES, LABOR, SEED, FERTILIZER, FUEL, TAX PREPARATIONS, ETC., HAVE INCREASED OVER THE LAST SEVERAL YEARS WHILE LOAN RATES, TARGET PRICES AND GRAIN PRICES (EXCEPT DURING THE DROUGHT) HAVE BEEN LOWERED.

WHILE LOAN RATES WERE BEING LOWERED, INVESTMENT CREDIT WENT BY THE WAYSIDE. THE FARMER IS THE BACKBONE OF THE UNITED STATES. WHEN THE FARMER HAS NO MONEY TO SPEND, IT CAUSES A DOMINO EFFECT TO THE REST OF THE U.S.

I HAVE INCLUDED A TRUE ILLUSTRATION WHICH WILL HELP YOU UNDERSTAND THE IMPORTANCE OF LOAN RATES TO THE FARMER WHEN GRAIN MARKETS ARE FAR BELOW PROFIT PRICE. THE FARMER NEEDS HIS CASH WHEN HE HARVESTS HIS CROP, NOT A YEAR LATER.

LOAN RATES AND PRICE SUPPORTS !!! 1985 - 1986

THE FALL PRICE OF CORN AT GREENTOWN GRAIN OCTOBER 28 FOR THE FOLLOWING YEAR WAS:

1985 - $1.99 PER BUSHEL
1986 - $1.67 PER BUSHEL
1987 - $1.65 PER BUSHEL
1988 - $2.61 PER BUSHEL (HIGHER PRICE BECAUSE OF DROUGHT)

CORN LOAN RATE 1985 = $2.55 PER BUSHEL
CORN LOAN RATE 1986 = $1.82 PER BUSHEL

$ .73 PER BU. LESS THAN 1985

52,000 BU. OF CORN * $.73 = $37,960.00 - NO WONDER SO MANY FARMERS AND AGRICULTURAL BUSINESSES WENT BROKE DURING THE YEARS TO COME.

LOAN RATES AND PRICE SUPPORTS. !!! 1985 - 1989

CORN LOAN RATE 1985 = $2.55
CORN LOAN RATE 1989 = $1.67

$ .88 PER BUSHEL LESS THAN 1985

52,000 BU. OF CORN * $.88 = $45,760.00

TODAY THE LOAN RATE FOR WHEAT IS $1.17 PER BU. LESS THAN IT WAS IN 1985.

THE SOYBEAN LOAN RATE THIS FALL WILL BE APPROXIMATELY $.24 LESS THAN 1985, HOWEVER, THE $5.05 LOAN RATE IN 1985 SHOULD HAVE BEEN AT LEAST $6.00/BU.

* IN 1985 52,000 BU. OF CORN WAS RAISED ON 300 ACRES.
* IN 1986 52,000 BU. OF CORN WAS RAISED ON 319 ACRES.
* IN 1987 52,000 BU. OF CORN WAS RAISED ON 295 ACRES.
* IN 1988 52,000 BU. OF CORN WAS RAISED ON 385 ACRES.

```
EXPENSES
FARM FUEL & OTHER
FILE NAME (FF88)
    1988 CROP

    "CORN"
    MACHINE          GAL.      PRICE    AMOUNT OF      DOLLARS
     WORK         PER ACRE  PER GAL.     PASSES       PER ACRE

FIELD CULT           1.00      0.65        1.00           0.65
NH3 APPLICATION      1.00      0.65        1.00           0.65
FIELD CULT + CHEM    1.00      0.65        1.00           0.65
PLANT                0.35      0.65        1.00           0.23
CULT                 0.33      0.65        1.00           0.21
SPRAY                0.20      0.65        1.00           0.13
COMBINE              1.80      0.65        1.00           1.17
CORN TRUCKING        3.00      0.65        1.00           1.95
GRAIN CART           0.33      0.65        1.00           0.21
MISC.                1.25      0.65        1.00           0.81

CORN FUEL TOTALS    10.26                                 6.67

CORN ACRES =       737.00 TOTAL COST                   4915.05

   "SOYBEANS"

PLOW                 2.00      0.65        1.00           1.30
FIELD CULT + CHEM    1.00      0.65        2.00           1.30
PLANT                0.40      0.65        1.00           0.26
CULT                 0.33      0.65        2.00           0.43
SPRAY                0.20      0.65        1.00           0.13
COMBINE              1.20      0.65        1.00           0.78
BEAN TRUCKING        1.50      0.65        1.00           0.98
MISC.                1.25      0.65        1.00           0.81

SOYBEAN TOTALS       7.88                                 5.99

SOYBEAN ACRES =   1037.00 TOTAL COST                   6208.00

TOTAL FUEL COSTS CORN & SOYBEANS                      11123.05


GRAIN FARMING ONLY

      CORN
REPAIRS, PARTS, SUPPLIES                                 40.00
PURCHASE OF EQUIP.                                      ?
FERTILIZER                                               75.00
SEED                                                     16.50
CHEMICALS                                                15.00
FUEL                                                      6.67
CROP DRYING                                              12.00
HIRED LABOR                                              11.00
PROPERTY TAXES                                          ?
INTEREST                                                 38.00
RENT                                                    115.00

CORN TOTALS                                             329.17


   "SOYBEANS"
REPAIRS, PARTS, SUPPLIES                                 40.00
PURCHASE OF EQUIP.                                      ?
FERTILIZER          CARRY FROM CORN USUALLY             ?
SEED                                                     12.00
CHEMICALS                                                41.00
FUEL                                                      5.99
HIRED LABOR                                              11.00
PROPERTY TAXES                                          ?
INTEREST                                                 38.00
RENT                                                    115.00

SOYBEAN TOTALS                                          262.99


** ROOM FOR THOUGHT **
NOTE : 45 BU. BEANS PER ACRE @ $4.81 PER BU. = $216.45
NOTE : 145 BU. CORN PER ACRE @ $1.67 PER BU. = $242.15
* ALL FUEL WAS PURCHASED BY THE SEMI LOAD.
```

EXPENSES
FARM FUEL & OTHER
FILE NAME (FF89)
1989 CROP PROJECTIONS

"CORN" MACHINE WORK	GAL. PER ACRE	PRICE PER GAL.	AMOUNT OF PASSES	DOLLARS PER ACRE
FIELD CULT	1.00	0.75	1.00	0.75
NH3 APPLICATION	1.00	0.75	1.00	0.75
FIELD CULT + CHEM	1.00	0.75	1.00	0.75
PLANT	0.35	0.75	1.00	0.26
CULT	0.33	0.75	1.00	0.25
SPRAY	0.20	0.75	1.00	0.15
COMBINE	1.80	0.75	1.00	1.35
CORN TRUCKING	3.00	0.75	1.00	2.25
GRAIN CART	0.33	0.75	1.00	0.25
MISC.	1.25	0.75	1.00	0.94
CORN FUEL TOTALS	10.26			7.70
CORN ACRES =	737.00	TOTAL COST		5671.22
"SOYBEANS"				
PLOW	2.00	0.75	1.00	1.50
FIELD CULT + CHEM	1.00	0.75	2.00	1.50
PLANT	0.40	0.75	1.00	0.30
CULT	0.33	0.75	2.00	0.50
SPRAY	0.20	0.75	1.00	0.15
COMBINE	1.20	0.75	1.00	0.90
BEAN TRUCKING	1.50	0.75	1.00	1.13
MISC.	1.25	0.75	1.00	0.94
SOYBEAN TOTALS	7.88			6.91
SOYBEAN ACRES =	1037.00	TOTAL COST		7163.08
TOTAL FUEL COSTS CORN & SOYBEANS				12834.29

GRAIN FARMING ONLY

CORN	
REPAIRS, PARTS, SUPPLIES	40.00
PURCHASE OF EQUIP.	?
FERTILIZER	91.00
SEED	21.00
CHEMICALS	17.00
FUEL	7.70
CROP DRYING	12.25
HIRED LABOR	11.00
PROPERTY TAXES	?
INTEREST	38.00
RENT	115.00
CORN TOTALS	352.95

"SOYBEANS"		
REPAIRS, PARTS, SUPPLIES		40.00
PURCHASE OF EQUIP.		?
FERTILIZER	CARRY FROM CORN USUALLY	?
SEED		12.00
CHEMICALS		41.00
FUEL		6.91
HIRED LABOR		11.00
PROPERTY TAXES		?
INTEREST		38.00
RENT		115.00
SOYBEAN TOTALS		263.91

** ROOM FOR THOUGHT **
NOTE : 45 BU. BEANS PER ACRE @ $4.81 PER BU. = $216.45
NOTE : 145 BU. CORN PER ACRE @ $1.67 PER BU. = $242.15

* CORN YIELD IS BASED ON # 2 CORN.
* ALL FUEL WAS PURCHASED BY THE SEMI LOAD.

August 8, 1989

[illegible]

To: Representative Jim Jontz, House Agricultural Committee
From: Deloris Jungert Davisson, Member Northern Indiana Farm Task Force, Inc.
Re: Field Hearing on the 1990 Farm Bill at Logansport, Indiana
Important considerations for 1990 Farm Bill:

Rep. Jontz:

Thank you for listening to the voice of **family farmers** in Indiana. I would like to make the following points:

1. **Farmers need a fair price for their farm produce.** A supply management program with a quota system of marketing certificates would make a fair price possible. Limiting foreign competitive imports would promote better prices for regional produce and help prevent farm foreclosures.

2. The 1985 Farm Bill, premised on increasing exports, benefits primarily traders and shippers to the detriment of both the American farm system and farmers in third world countries. Exports are decreasing as countries produce more of their own food. Russia has learned that big corporate farms don't work. They are changing their farming operations to a high-yield family oriented system. We need to do the same. **We need a farm bill which intentionally promotes family-sized farms.**

The trade deficit widens as the United States becomes more of a colonial economy, exporting only raw materials at a terrible loss to the American farmer and to the American taxpayer. This doesn't make economic dollars or sense.

3. In the beef industry, the concentration of resources in just a few companies needs to be examined for anti-trust activity. We family farmers don't want to get big or get out. **We want farm policies which make it possible for us to make a fair living, keep our investment in the land and in our family values.**

As you well know in the last few years Indiana led states in farms going out of business. We need a farm policy based on supplying the American people with wholesome, affordable food supporting smaller, efficient business operations, sustaining our farm families, our rural towns, our local and national economies.

4. We need to fight the **WAR ON DRUGS**, pesticides and synthetic fertilizers on our **home ground**. We need a Farm Bill, premised on growing good, clean, pesticide-free food at reasonable prices by family sized farms. We cannot continue to mine our soil and borrow depletable resources against our children's future. Incentives, **instead of penalties need to be encouraged for low-input, environmentally sound farming. The new Farm Bill should encourage reasonable transitional practices which would keep efficient farmers on the land.**

4. Rural communities are hard pressed as **rural poverty increases.** Rural business and banks find it difficult to maintain viability. We cannot continue to extort huge profits from the land and the communities without putting something back to ensure a future. Rural health services are lacking as communities become poorer and urban poverty migrates to the city.

5. The 1987 Agricultural Credit Act needs monitoring and evaluation to ensure that implementation follows the intent of this legislation.

6. In today's world of legal jargon, it would be refreshing to have legislation written in the common person's language instead of advising us to seek legal assistance in reading the text as was suggested in the 1987 Credit Act regulations.

Thank you for your consideration. Consumers, farmers and environmentalists together have many votes and the power of the grassroots electorate. We are beginning to **work together** for the nation's most important business, that of producing a supply of safe, good food to ensure a future for our people, our land, air, and water.

Respectfully submitted,

Deloris Jungert Davisson

Deloris Jungert Davisson
1148 Lincoln Way East
Plymouth, IN 46563

Proven Yields

My opinion on the proven yield is that you should be able to go back at least three previous years 1986, 1987, 1988 along with 1989 & 1990. Otherwise it will take 5 years for us to realize any benefits.

Once a ASC or proven yield is established the ASC shouldn't be allowed to lower the yield for any reason.

Crop Insurance

There should be a MPCI policy put into effect that allows the producer to insure at least 85% of the ASC established or proven yield

Base adjustment

Any farmer with a corn base of less than 60% of the total crop acres should be allowed an adjustment of at least 60% of the total crop acres. It forces a lot of producers to plant beans in bases.

If a producer desires to grow wheat he should be allowed an adjustment in his wheat base to be at least 20% of his total crop acres.

If for any reason that chemical will affect a crop to be planted the producer should be allowed to file a prevented planting form to protect the base whether it be corn or wheat

Eliminate cross compliance

Allow producers to harvest set aside acres.

Dennis Farrell
RR # 2 Box 69
Goodland, In. 47948

Written
Statment

By Marie Newman
202 W 19B. Rd.
Culver, Ind.
46511

Especially representing
Myself as 91 yr old
Farmers
and
Northern Ind. Farm Taxi
Fare. –
etc at
Ancilla College
Donaldson, Ind.

My Concern about the
Farm Problem is an Aged
one - Born on an Indiana
Farm as far back as 1898 -
schooled in a one room
rural school - drove an
"old gray mare" Molly by
name to Plymouth
High School (5½ mi
am & eve) - went my
first year to Terre
Haute Normal - taught
a one room rural school
2 years - Then on to The
University - with 2 years
out to teach again
in Plymouth's old
Webster Bldg. - back
to University to graduate

in 1924 - Then to teach H.S. in Plymouth and then as a chore farmer's wife from 1925 on to now - a farmer's wife. All during this time earning my living on this Dick Newman Up Lane Farm - with a herd of registered Holstein cows which furnished milk for 54 years to Culver Military Academy. All the time living with Farm Problems - remembering taken a load of hogs to Chicago Stock Yards with Dick in an old Ford Truck - getting $90

for the hogs - no income
for hauling them there -
$90 all we got - Then 10
years later taking
another load same
number, same weight -
price pd. that time $900 -
so knew good & bad
of farming as an income
producing occupation.
Then I began to realize
what Parity meant -
Now in 1989 - still
same farm - Dick
gone - the one son
gone - girls both
working - grand
children and great
grand children - still
painfully conscious
of my love for The Farm

but hear favorite grandson say, "You can't make a living on an Indiana or U.S family sized farm where you work more always than an 8 hr day for less than minimum wages so cheap food can be bought. What do I think about farming now-

1- We do not receive a fair price for our labor even if we own the farm — A Out of a $2.73 box of shredded wheat breakfast food we get 6¢ for wheat used.

We raise our crops for what someone else sets the price on.

So what do I think —

1. Farmers should get parity for their produce.
2. Farmers should be writing their farm bills, not Cargill or the like.
3. Lets consider —
   - a Parity price
   - B. Labor values should go into Parity price.
   - C. Loans by Loan Agencies should be made on shared risk basis.

Barrowers & Lenders sharing that risk.

4. Huge corporate farming should be taxed on basis of what they do to our land and care of it. Absentee owners need special taxing - instead of using farm produce as tax write offs.

5. Foreign land owners should have special tax on them for what they don't do to land & family farmers

6. Chemicals used should be checked on what they do to land + food produced.

7. Depending on trade for our livelihood is not justice or reasonable. - even if farmer is subsidized - cost of product should be what all costs are to produce it.

8. Industry sets its price for what we must buy - do farmers get to set any price on either for what they sell or buy.

Farm Bureau

① is more Farm Business oriented than active Farmer oriented -

② Too Agri Business oriented.

③ looks ahead in planning.

FORMULATION OF THE 1990 FARM BILL

TUESDAY, AUGUST 8, 1989

House of Representatives,
Subcommittee on Wheat, Soybeans, and Feed Grains,
Committee on Agriculture,
Columbia City, IN.

The subcommittee met, pursuant to call, at 2 p.m. in the 4-H Center, 115 South Line Street, Columbia City, IN, Hon. Dan Glickman (chairman of the subcommittee) presiding.

Present: Representatives Jontz and Long.

Staff present: Greg Frazier and Anne C. Keys.

OPENING STATEMENT OF HON. DAN GLICKMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KANSAS

Mr. Glickman. The subcommittee will come to order.

I want to welcome you all to this hearing. My name is Dan Glickman and I am a Congressman from central Kansas. My hometown is Wichita and I have the privilege of chairing this Subcommittee on Wheat, Soybeans, and Feed Grains of the House Agriculture Committee and coming to the district of my friend and colleague Jill Long, a new member of the full Agriculture Committee and this subcommittee and we are delighted to be here. I understand it has been some time since you have had a congressional hearing in this district. This is a very important hearing because we are in the process now of really deciding what will go in the 1990 farm bill, both in terms of what should be the loan rate, and the target price and set-asides, CRP, conservation provisions as well as rural development issues and a whole slew of other things that you all are concerned with and everybody in America is concerned with as it relates to the strength of rural America and what our food and fiber policy ought to be. So I am delighted to be here.

We were in Logansport this morning where we had a hearing in the district of a member of the subcommittee, Congressman Jim Jontz. It was an excellent hearing. We heard from nearly 20 witnesses and we got some good information to develop the issues. We will hold other hearings, for example, in Colorado, in the State of Montana, in Oregon during the latter part of the month of August. There are hearings being held in the South as well as in the Upper Midwest, Iowa, Minnesota, and the Dakotas. Then we will come back toward the end of this year and try to put these thoughts together and begin writing the new farm bill early next year. So you being in the heart of corn and soybean country, together with being a very important livestock producing area of this country, we really do want to hear what you have to say. So now without further adieu, I would like to call upon my colleague, distinguished member of this subcommittee Jill Long for any comments that she may have.

OPENING STATEMENT OF HON. JILL L. LONG, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Ms. LONG. Thank you, Mr. Chairman. It is certainly an honor for me to have Chairman Glickman here and Congressman Jim Jontz and it is also an honor for me to have all of you here in my home county. I think all of you know how dedicated I am to agriculture. I am a firm believer that foreign policy and trade policy of the future will be very much in large part agricultural policy because what we export in terms of agricultural commodities are very important to our Nation's economic strength. So I am very eager to hear what the farmers of northeastern Indiana have to say and I am anxious to take that message back to Washington as we get ready to draft the 1990 farm bill.

Thank you.

Mr. GLICKMAN. I might mention before I introduce Mr. Jontz for his comments, Jill Long has only been on the Committee on Agriculture about 4 months. She has already been instrumental in offering a major amendment to the reauthorization of our commodities futures laws done last week, which effectively puts a lot more control on the Futures Exchanges and tries to prohibit them from taking emergency actions which would distort the marketplace for, in this case, soybeans and perhaps corn but it could be for anything else and she very tenaciously took on this amendment and frankly took on the Futures Exchanges and—have historically not been known as meek, quiet, politically passive groups of people—and she took them on and won and that is something that is very unusual for being so young in this job. And you all ought to be proud of her for that.

Now, I call on Mr. Jontz, a member from the Fourth Congressional District.

OPENING STATEMENT OF HON. JIM JONTZ, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Mr. JONTZ. Thank you, Mr. Chairman. I want to begin by welcoming you to Indiana. It really is an honor for us to have you in our State. Chairman Dan Glickman will play a major role in the details of the 1990 farm bill and it is an opportunity for us here in Indiana to have input directly into his thinking and the thinking of our subcommittee overall. And I really want to express appreciation for your willingness to come to our State to conduct this hearing.

I also want to acknowledge the very capable representation that this district has in the Congress on the Agriculture Committee with Jill Long. She has, indeed, played a major role in the legislation that we have just completed considering in committee on the CFTC reauthorization. I know that she will play a major role with regard to the farm bill next year as well. It is our job to see that the farmers of our State have a voice in Washington, that the concerns of the producers in Indiana, the family farmers who are the backbone of our agricultural system, are treated fairly in the farm bill, and that their well-being is our paramount concern. And the hearing today for us will be an important opportunity to hear directly from you who are affected by this legislation and we appreciate your participation and attendance in helping us to do our job.

I know we have a number of witnesses here today so I will conclude my opening comments by again expressing thanks to the chairman for coming to our State and I look forward to hearing the statements from all of the witnesses this afternoon.

Mr. GLICKMAN. Thank you, Jim. I might mention also to the audience that Jim Jontz has been on the Agriculture Committee about 3 years now, was instrumental in substantially being the moving force behind last year's disaster relief bill and, in addition, this year we passed a bill of his on the House floor which will open the door to permit farmers to prove their yield every year rather than have to accept historic program yields which may not reflect at all what the current state of that farmer's production is. So you talk about a tenacious dogged member for agriculture, Jim Jontz is certainly in that category.

Our first panel, I think we have Mr. Greg Scher with the Agricultural Advisory Committee for Jill Long. We have Mr. John Caravetta, Allen County extension agent and Ms. Jackie Haffner, a member of the board, Citizen's Action Coalition. So we would ask you all to come up here and we appreciate your coming.

Let me make the following comments to our witnesses. Your entire statement will appear in the record if you summarize. You may read the statement if you want, but we prefer you to summarize. It is just a way to try to move the process along a little faster.

We will begin with Mr. Scher, then Mr. Caravetta, and then Ms. Haffner.

STATEMENT OF GREGORY A. SCHER, SPOKESMAN, AGRICULTURAL ADVISORY COMMITTEE, FOURTH CONGRESSIONAL DISTRICT OF INDIANA

Mr. SCHER. Thank you, Mr. Chairman. For the record, according to the agenda here they have me listed as living in Columbia City and unless I moved, I am from Huntingdon County.

Mr. Chairman, members of the subcommittee, thank you for this opportunity to share with you a number of issues that are of concern to the farmers of northeast Indiana. I am appearing here on behalf of the Agricultural Advisory Committee for the Fourth Congressional District of Indiana. The views I am presenting represent a collection of concerns, not a consensus of opinions. Heaven knows when a group of farmers sit down around a coffee pot, they can all identify the problem, but there are as many solutions as there are cups on the table.

The chairman of the committee is Fred Bailey and Tom Western and we have come up with some ideas which we would like to present here and one of the key words is flexibility and that is on the minds of the members of this advisory committee. We would like flexibility of crop production and Government programs if research can prove that by using crop rotation in these programs, there will be less soil erosion, decreased chemical usage, less chance of chemical run-off, and no increased cost to the Government and no major negative economic shift in the agricultural economy.

What we are asking for is, more research for cutting the cost of production rather than increasing production.

We support increased fundings of universities and land grant colleges so they can be less dependent on agribusiness donations and their influence and more research programs aimed at environmental concerns.

We ask that bushels or pounds be used in Government programs rather than acreage allotments.

The farmers are tired of help from the Government in the form of price support hand-outs and need help in developing new uses and new markets for their products.

Export enhancement should be continued. As farmers cut production to stimulate the market, foreign countries increase their production and any market price benefits that are realized are short lived. We need a fair price for our products but that price cannot be at the expense of taking U.S. land out of production.

All Government programs should be streamlined and simplified in their operation and implementation. In the past few years, farmers have had to learn a foreign language called bureaucrat rap in order to do business at today's marketplace. Farm programs should be written for those that walk the fields, not the halls of the skyscrapers in the big cities.

We ask that you schedule all Government payments so producers can rely on when payments will be made.

We would like to improve grain quality standards on a national scope before marketing. Farmers should be rewarded for producing grains above a set standard not docked for grain that falls below a "floating" standard.

Some farmers want to discourage crop insurance and disaster payments.

Others want to have no mandatory Government programs.

We would like to idle all federally owned land. Government owned ground should not be in production. Farmers should not have to compete with the U.S. Government.

We discourage foreign investments in American agriculture and if possible, prohibit foreign-owned land from Government subsidy programs.

And last, prohibit creditors from inflicting further losses on farmers facing bankruptcy or foreclosure by making creditors liable for additional losses caused by their actions. An example would be refusing to loan a farmer additional money to buy fuel to dry his grain and forcing him to sell it wet at a much reduced price even though he had the grain dryers sitting idle on his farm, or selling livestock before it has reached a marketable weight because the creditor refused to sell additional feed. We are asking for a review of financial procedures where Federal money is at stake, which would include banks with FDIC guarantees.

Ladies and gentlemen, as you can see, our list is long and sometimes contradictory. The bottom line is the reason we are here today is to tell you that we want a helping hand, not a hand out. We are not interested in working for the Government, we just want to farm successfully so our kids can continue to farm tomorrow.

Thank you.

[The prepared statement of Mr. Scher appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much, Mr. Scher.

Mr. Caravetta.

STATEMENT OF JOHN CARAVETTA, EXTENSION AGENT, AGRICULTURE, PURDUE COOPERATIVE EXTENSION SERVICE

Mr. CARAVETTA. Thank you, Mr. Chairman. Mr. Chairman, and members of the subcommittee, thank you for this opportunity to share with you some concerns extension has in northeast Indiana.

The Cooperative Extension Service has outlined several national initiatives which relate to agriculture, and will be impacted by the 1990 farm bill.

First among these initiatives addresses competitiveness and profitability in agriculture. Future profitability will depend not on increasing production levels, but maintaining competitiveness in a global economy. In northeast Indiana we see a need for the following:

Improved economic efficiency.

Development, application, and transfer of technology.

Balanced health, nutrition, and environmental concerns with profitability goals.

Development of long-term agricultural policy that considers national needs and global realities.

The 1990 farm bill needs to provide flexibility for alternative agricultural opportunities—our second initiative. On many farms, current agricultural practices related to traditional crop and livestock products cannot sustain both profitability and protection of the environment. In northeast Indiana, extension is concerned with:

Maintaining profitability while protecting the environment.

Evaluation of new enterprises as a means of diversification, and the exploration of nonfarm income sources.

The quality of our water—especially its impact on our health and well-being—is of great concern. Some of the concern centers on the impact agricultural chemicals, rural waste systems, and livestock enterprises have on water quality. Critical issues which relate to the water quality initiative include the following:

The protection of our ground water and the impact of agriculture on the water supply.

And the conservation and wise use of our water resources.

Revitalization of rural America is identified as a fourth initiative. Rural America is responsible for food and fiber production as well as stewardship of 90 percent of our land and water resources. The diminishing economic competitiveness of rural areas, diversification of local economies, and dependence on too few income sources are all critical issues in northeastern Indiana and will be impacted by the 1990 farm bill due to the large agricultural support base these economies share.

Youth in primarily agricultural communities are especially at risk from changes in the farm sector due to fewer off-farm income opportunities.

As the 1990 farm bill comes to fruition, we see a need for greater program flexibility to aid: one, aid in the establishment of integrated pest management systems to reduce the need for production inputs; two, allowances for alternative crop enterprises in order to diversify production systems; and finally, increased attention to environmental concerns while maintaining profitability.

[The prepared statement of Mr. Caravetta appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much. Mrs. Haffner, it is a pleasure to have you here as well.

STATEMENT OF JACQUELINE S. HAFFNER, MEMBER OF THE BOARD, INDIANA RURAL ORGANIZING PROJECT, CITIZENS ACTION COALITION

Mrs. HAFFNER. Thank you Representative Long and members of the committee. My name is Jackie Haffner. My husband Dick and I raise corn, soybeans and have a swine operation near Portland, Indiana.

I appreciate the opportunity to be here today. I am a board member of the Indiana Rural Organizing Project, a farm program of Citizens Action Coalition. I would like to take this opportunity to present a summary of our assessment to the current situation and the effects of the 1985 Food Security Act and offer some thoughts on the 1990 farm bill.

Many farmers are still suffering from the aftermath of last summer's drought or are facing other weather related crop losses. While we recognize the efforts of this committee in adopting the Disaster Assistance Act of 1988 and its extension for 1989, there remains tremendous farm losses not compensated for by this drought relief.

The 1985 farm bill has been devastating; 2,500 farms are going out of business each week.

Consumers were supposed to benefit but something is definitely wrong when farmers are going broke and increasing numbers of families cannot afford to feed their children while food processing companies are reaping record profits.

We urge this committee to examine what is happening between the farm gate and the grocery checkout line.

The taxpayer has been footing the bill for a Farm Program that is neither keeping food costs down nor farmers on the land. We are asking Congress to adopt a policy that benefits family farmers, consumers, the environment, and the taxpayer.

We would like this committee to take a serious look at policies that enable farmers to receive a fair price at the marketplace. This would mean setting price support levels based upon farm cost of production for all commodities including livestock products.

We are subsidizing grain trades so they can sell our grain at below cost in an attempt to expand our markets. This practice is costly for taxpayers and destablizes the economies of other countries. Furthermore, we are losing money and sacrificing our soil and water quality in the process. This does not make sense.

We recommend that the 1990 Farm Program address the current barriers to farming with fewer chemicals. Farmers who employ crop rotation to enhance their soil qualities should not be penalized by a reduction in corn base. We are serious about the need for economically feasible conservation. Supply management does make sense.

We feel it is appropriate to emphasize the importance of the committee to study and closely monitor the continuing implementation of the 1987 Ag Credit Act. It is distressing that so few borrowers have received the kind of debt restructing envisioned under this act.

Of utmost concern is FmHA's method for calculating the least cost alternative.

The court's recent interpretation of the farmer's right to sue removes FCS one step further from public accountability and raises even more concerns.

In closing, I would emphasize that if America is committed to a system of food production based on family owned and operated farms, then Congress must take a bold step and forge a new direction in the 1990 farm bill based on fair and profitable prices at the marketplace. It should protect producers who are struggling to recover from the "farm crisis," encourage new and reentry farmers, and promote farming practices which preserve and protect our soil and water resources.

Thank you for hearing my testimony and I look forward to working with you during the upcoming debate and passage of the 1990 farm bill.

[The prepared statement of Mrs. Haffner appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you all for excellent testimony.

I just want to clarify one thing. Mr. Scher, the recommendations, were these—these were a variety of different recommendations?

Mr. SCHER. It was an accumulation, not a consensus.

Mr. GLICKMAN. OK.

Mr. SCHER. We have a number of people on the committee, and of course, like I said when you sit down around the coffee pot, everybody knows what the problem is but everybody has a different way of getting there and we just took notes and what we did was we presented all the ideas.

Mr. GLICKMAN. Thank you very much. Ms. Long.

Ms. LONG. Thank you, Mr. Chairman. John, I would like you to address if you will the concern that you stated regarding the environment and how the Federal Government might approach the concerns that have been expressed regarding the use of chemicals and pesticides. And what I am asking for is your recommendation if you were sitting in my seat, what is it that you would try to get written into the farm bill that would work very well for the farm community and at the same time satisfy the concerns of farmers and other who do have a concern regarding the environment?

Mr. CARAVETTA. That has been a big consideration here lately, even more so. We do need the ability to rotate, to be able to manage these different products. If we are able to rotate possibly the use of less insecticides, some of these types of things may be something that would be stimulated from that. I think that we are moving from an industry standpoint what we have seen toward more biological thrusts, also thrusts toward lower rates. Any incentives that we can provide through education in the use of maximum—maximizing our yields with the lowest amount of input that would relate back to the environment eventually but we need to increase our efficiency along those lines.

Ms. LONG. Thank you. I do not have any other questions.

Mr. GLICKMAN. Mr. Jontz.

Mr. JONTZ. Mrs. Haffner, you have quite a lengthy statement and portions of it you were not able to read. I know you have gone to quite a bit of effort here and I feel like maybe I should give you a chance to expand on some of the items in your statement.

You did identify the need to address current program barriers to farming with fewer chemicals by addressing the possibility of including crop rotations in the program in such a way that you would not be losing your program base. Would you like to explain in some more detail what your thinking is about that and how we should approach it when we get down to the specifics of the 1990 farm bill?

Mrs. HAFFNER. Yes. As well as rotation, there are some farmers who use legumes to improve the quality of their land and they are not able to do this under the present system without losing their corn base. I think in using the rotation the goal there really is to cut down on the amount of chemicals that we are using as well as having the flexibility of improving the ground.

I would like to say a little bit on this reducing the costs of chemicals. We would like to see part of the research money go to on-farm research. I know in our own operation by using soybean oil mixed with the chemical, we have gone from using 16 ounces to 2 ounces of chemicals. On another program, we have gone from 32 ounces down to 12 ounces of chemical. So we believe there are farmers who have experimented and have found ways to reduce both chemicals and fertilizers and we would like to see these farmers supported. I think it is a matter of education.

Mr. GLICKMAN. Thank you. I also note, Mrs. Haffner, that you have quite a bit of testimony regarding the Farmers Home Administration and the Farm Credit System practices on restructuring foreclosure and I just want you to know that it is important testimony as we reexamine the Farm Credit Act of 1987 in which we provided some—tried to provide some protection for producers against foreclosure. As we look at the 1990 farm bill as it relates to farm credit provisions, we are going to revisit some of those things we did before to make sure that the law is being implemented in accordance with congressional intent so this will be useful testimony. And if your organization has anything else in terms of facts and numbers, data that would be useful for us, I think we would like that very much.

Mrs. HAFFNER. Yes, we would be happy to do that.

Mr. GLICKMAN. Thank you all for testifying very much. We appreciate it.

The next panel is a panel of three farm organizations, Mr. Louis Lash, president, Noble County Farm Bureau, Indiana Farm Bureau

Cooperative Association, Mr. Walter A. Trier, National Farmers Organization, and we have Mr. William Basting, State director and county president, National Farmers Union. Mr. Hibschman. I know we have a friend also from the Ohio Farmers Union who is here as well. I mean you are with the grange, right? You are an addition on the schedule. When you testify, will you introduce for the record your colleague from the Ohio Farmers Union.

Gentlemen we are delighted to have you here. As I said before, your entire statement will be included in the record so any way you can summarize, it will be very much appreciated.

We will begin with Mr. Lash.

STATEMENT OF LOUIS E. LASH, PRESIDENT, NOBLE COUNTY FARM BUREAU, ON BEHALF OF THE INDIANA FARM BUREAU, INC.

Mr. Lash. Thank you. Mr. Chairman, thanks for the opportunity to testify. My name is Louis Lash and I raise wheat, soybeans, and feed grains on my farm in Noble County, Indiana.

Thanks to Congressman Jontz and Congresswoman Long for their efforts on behalf of farmers and Congressman Glickman for coming to Indiana to hear directly from farmers.

I am here representing the Indiana Farm Bureau, a general farm organization in Indiana. Four of every five farmers belonging to an agricultural organization are members of Farm Bureau.

Overall, farmers in Indiana have been satisfied with the 1985 farm bill. It moves us in the direction of a more market-oriented agriculture and has helped us become more competitive for markets abroad.

Looking to 1990 and the farm bill that will start us through the next decade, we feel it is important to stay on a course that will move us closer to the goal of a market-driven and a market-oriented agriculture.

There are several reasons for this, Mr. Chairman, but the primary reason is one of the future opportunities for agriculture. If we are not competitive for international markets and we choose in the 1990 farm bill to encourage production through artifically high Government prices, then we run the risk of reducing corn production by one-third and soybean acreage by one-half in the State of Indiana. This is the amount of production that goes to foreign markets. Agriculture is this State's biggest industry.

We need a farm bill for the 1990's that has flexibility from a production standpoint as well as flexibility on the marketing side.

In the 1985 farm bill—if the 1985 farm bill falls short, in our view it is in the area of flexibility. We need to be able to shift more easily from one crop to another to fit current market needs that we are not able to do. For example, soybean acreage has suffered in recent years because of current programs encourages farmers to plant corn even when the market signals for increased bean acreage. Most farmers will not sacrifice corn base acres even when the bean prices are higher.

Our major problems as farmers is not domestic competition today but international competition. Farm policy must take into account global political and economic forces but we must be given equal opportunity to compete with future producers. We need to press hard in the GATT for the reduction of trade distorting subsidies and the elimination of market access barriers. We must be allowed to compete on a level playing field.

Farmers are concerned about the food safety issue that has really been intensified to an emotional issue as a result of the apple alar situation. U.S. producers know that the food supply of this country is the safest, most wholesome, and varied of any food supply in the world.

We are concerned about the many myths that exist today regarding food safety. There is a belief that natural substances are OK and safe, and man-made substances are unsafe. This is not true. There is also a belief that if substances in large amounts are harmful to humans, then those same substances in small or minute doses are also harmful. This is not true.

There are those who promote the zero tolerance level. My point is that we are rapidly approaching the point where there is no zero level.

There is a discussion that food safety should be part of the 1990 farm bill. This is not the place to regulate food safety. We currently have agencies in place to provide a safe food supply, namely, FDA, EPA, and FIFRA. We believe the regulation of food safety should remain with these agencies.

The budget and taxes are two very important factors in the farm program legislation. Farm Program costs have been declining from some $26 billion in 1986 to around $14 billion this year. However, as Farm Program costs decline, balancing the budget should not be at the expense of farmers along.

I want to close with and emphasize a statement made by American Farm Bureau president, Dean Kleckner, before your committee in Washington last month, concerning environmental considerations in the 1990 farm bill and I quote, "Our first concern is with the opportunity to produce. If the environmental portions of the new farm bill are so restrictive that farmers and ranchers lose the opportunity to use the resources they control, then the farm bill will be a failure, regardless of other provisions it may contain."

Farmers are good stewards of the soil, Mr. Chairman. It is our livelihood but we must be given flexibility to use wisely the resources we own to continue the abundant high quality production of food and fiber that benefits us all.

Thank you again for this opportunity to present our views.

[The prepared statement of Mr. Lash appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much, Mr. Lash. That was an excellent statement.

Mr. Trier.

STATEMENT OF WALTER A. TRIER, MEMBER, NATIONAL FARMERS ORGANIZATION

Mr. TRIER. Thank you, Mr. Chairman. First, I would like to thank the committee for your timely action in holding this hearing here in preparation for the 1990 farm bill and coming here to northeast Indiana. The National Farmers Organization is happy to have the opportunity to have some input in this new legislation.

Lack of flexibility is one of the key problems of the 1985 Food Security Act. Under current program requirements, a producer's ability to make planting decisions in response to commodity supply levels or culturally sound crop rotation practices are severely limited. The current program, while voluntary in theory, in reality has been economically mandatory for the vast majority of the producers. During the 1960's and 1970's feed grain program participation in the Corn Belt ranged from 20 to 30 percent compared to 80 to 90 percent in recent years. In our judgment, there are two underlying factors which have limited a producer's flexibility to make cropping decisions based on sound cultural practices for his farm, or to respond to reduced supply levels for a particular commodity.

Whether intended or not, the 1985 Farm Act has provided for the USDA to become the major determining factor in setting the price for our commodities in the marketplace. Commodity certificates, CCC sales catalogs, direct export subsidies, release of farmer-owned reserves, and so forth, has played a very significant role in affecting the market prices. Through these programs, CCC has in the last 3 years dumped nearly 4 billion bushels of corn, wheat, and soybeans into the market. You do not do that without negatively affecting market prices and defeating the purpose of the program.

The second strong influence against flexibility is the relationship of price support or income support levels between the various commodities. The rule of thumb for years has been soybeans should be 2½ times the price of corn. Price support for soybeans today is only a little over 1½ times the income support level for corn. We believe that is the major factor that soybean production in the Corn Belt and many areas of the Southeast has declined in recent years. Oats is another commodity that is out of line in price relationship. Today we are importing oats from Europe as well as Canada.

As a first step we would recommend that your committee request the USDA to conduct a review of the relative price support relationship between soybeans and other program crops and to require appropriate adjustments. For example, under current law, USDA is required to set support levels for feed grain crops other than corn at their relative value to corn.

We do not feel that the "triple-base" theory or other complicated base substitution schemes will really address these underlying problems.

NFO proposes that acreage bases and program yields be eliminated and/or converted to a farm bushel or poundage base. Price support loans and other program benefits should then be limited to the established bushel or poundage base for the farm. The farm production base could then be adjusted up or down from one year to another, based on a national production goal for each of the various commodities. Production in excess of the established base would be without program benefits but could be sold in the open market. You may provide that a farm's excess production could be carried over to the next year and be eligible for price support in the event of underproduction in the subsequent year.

We believe that there are many advantages to this approach over the current base acreage provisions. First, it would provide much more—much greater planting flexibility, since a producer would not have the concern over base preservation, and a farm's program benefit would not be measured by the number of acres planted. Favorable environmental impacts would be significant, since there would no longer be such a strong incentive to increase acreage yields through heavy chemical application. Budget exposure and program costs would be reduced by limiting payments and price support loans to the bushel or poundage base for the farm. Last but not least it is the simplicity of this approach, compared to a complicated scheme of juggling base acreages and keeping records of the various commodity bases. This system would be much better understood by producers and could easily be administered by ASCS.

We feel simplicity is needed to have a successful program. Set-aside, conserving acres, commodity certs, acreage reporting, certifying acres planted and other paperwork makes the present program less than ideal and discourages participation.

Let me quickly make a couple of other related points. We are convinced that it will be necessary for Congress to design the next farm program to operate at a much lower cost to the U.S. taxpayer. This can be done beneficially both for the farmer and consumer if Congress adopts a program which emphasizes price support and production levels that match worldwide demands. Exports, important as they may be, account for only one-third of U.S. production and they are not valuable to farmers and ranchers if they must be sold at levels below the producer's cost of production. The National Farmers Organization specifically called for the development of international trade agreements with other major producing nations on a commodity basis as an alternative to one single GATT agreement on agriculture and all other foreign trade. American farmers must receive a fair price for their products, both domestically and abroad.

Just let me take a moment to address the subject of checkoffs. The National Farmers Organization strongly opposed checkoffs unless, one, they are made voluntary and two, the people in segments of the agribusiness community that benefit from a checkoff share in the cost.

In closing, let me assure you of our support for a stronger farm program in 1991. We believe the suggestions we have outlined here today will go far in attaining this goal. Flexibility in allowing us to produce for the marketplace, simplicity so that we all can readily understand and is easy to administer, and above all fairness are necessary ingredients in the 1990 farm bill. We want fair and equitable farm legislation based on fair trade, not free trade for America's farm families. Our farmers cannot pay high taxes, interest, labor charges, and the costs of other inputs when placed in uncontrolled competition with new land and cheap labor in other countries. The United States is now down to 700,000 full-time farmers and ranchers in this country. We have lost enough in the name of exports.

Again, we want to thank the chairman and the members of the subcommittee for this opportunity to appear before you today.

Thank you.

[The prepared statement of Mr. Trier appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you, Mr. Trier, an excellent statement. Mr. Hibschman.

STATEMENT OF JOE A. HIBSCHMAN, MEMBER, INDIANA STATE GRANGE

Mr. HIBSCHMAN. I am Joe Hibschman and I represent the Indiana State Grange. I am a crop and dairy farmer in northern Indiana.

As you have already received the policy from the national grange, I will not go into our policy but I will more or less give you what some of the farmers in Indiana feel have been maybe the problems with the present farm bill that we would like to see changed as we go into 1990.

The Indiana State Grange believes the Food and Agriculture Security Act of 1985 is basically meeting its primary objective of becoming more competitive in world markets and in an effort to increase agricultural exports and maintaining farm income during the transition toward a more market-oriented farm policy. However, there are some changes we would like to see implemented especially in the Dairy Program.

The Indiana State Grange urges the ASCS to change the base yield on program crops to be in closer relationship with the actual yields which farmers attain. New technology and improved hybrids have increased yields while the ASCS has frozen the yield base. The yield base is not consistent from farm to farm as some farmers in the past have accepted what was given to them and others have appealed for a larger yield. Those farmers who accepted their yields are now being jeopardized as they receive their deficiency payments.

Some of the ground which we farm, the poorer ground has larger yield bases than the better farms that we farm. As I understand in your prestatement, Representative Jontz has already put legislation in for that purpose.

Another area Indiana farmers would like to see changed is for substitute or specialty crops to be grown on base acres without losing your base for that crop. This would allow for more rotation and less chemicals and insecticides would need to be used which would help alleviate ground water contamination. Presently farmers feel they need to continue with the same crop or they will lose a percentage of their base. This past year we did have the opportunity to grow oats or soybeans on our corn base which was an asset for many farmers in Indiana.

The Indiana State Grange also seeks for the Swampbuster Act to be revised so the ASCS and SCS can allow for small wet areas like 1 to 2 acres in field to be drained so that they are more efficient and economical to farm with the larger equipment which today's agriculture necessitates.

The Dairy Program. The dairy diversion and the whole herd buyout programs appear to have been only a Band-Aid remedy for the milk surplus problem. There is a growing interest not only in Indiana but across the Nation for a milk quota system. Presently, if I cut back production and others do not, the support price will drop and I will lose not only the cut in production but will also get less for what I produce. That is no incentive to cut production. As the support price continues to be cut, more family farms will be forced out of the business. With a quota or base surplus we know what we could produce and still receive a profitable margin for it.

The Canadian Government has had the quota system for over 20 years and it has served them well. Several European countries also have followed the Canadian system. It not only assures the dairyman of a profit but also assures the consumer of a stable supply of milk.

We also feel it is time to price milk on a solid or protein content instead of butterfat as it is presently done. The consumer is very diet conscious and protein or solids content would be more appealing than fat.

The Indiana State Grange appreciates and commends the House Agriculture Subcommittee on Wheat, Soybeans, and Feed Grains for their interest and their concern for Indiana agriculture.

Thank you.

[The prepared statement of Mr. Hibschman appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much, Mr. Hibschman.

Mr. Basting, it is a pleasure to have you here and you may proceed.

STATEMENT OF WILLIAM D. BASTING, MEMBER, BOARD OF DIRECTORS, INDIANA FARMERS UNION, ACCOMPANIED BY CHARLIE NASH, PRESIDENT AND EXECUTIVE DIRECTOR, OHIO FARMERS UNION

Mr. BASTING. Yes, for the record, Mr. Glickman, I would like to be entered that with me today is Charlie Nash, president/executive director of the Ohio Farmers Union. He is just across the line from where I live in Allen County. I feel he has a wealth of knowledge. If you have any questions, you might direct some to him.

I would just like to take this opportunity to thank you for stopping in Indiana and just coming to listen to the farmers and the farm organizations, and what we have to say about the Farm Program.

As you know, my name is William Basting. I am a professional family farmer. I am also a county president of the Allen County Farmers Union and a member of the board of directors of the Indiana Farmers Union.

I would just like to give my brief testimony the way I feel, many farmers I know feel, and also Farmers Union's feeling on what the Farm Program maybe should contain or what it should not contain.

As you know, a great many family farms around this country are watching you with great anxiety and they just realize that a good farm bill could mean they would be in business another 2, 5, or 10 years up the road, or a bad farm bill, or worse yet no farm bill could spell the demise to many of these same farmers. So a new farm bill in 1990 must—and I repeat it—must be tailored to guarantee sustainability of a family farm which is our Nation's largest industry. You must understand that the whole national economy is tied directly to the farm economy. All forms of industry suffer when farmers cannot buy. The domino effect comes to play here if it plays anywhere.

I think it is fitting and proper to criticize several former Congresses and administrations for what they have done to farmers by continually forcing commodity prices lower while the rest of our economy continued on the inflationary spiral. In recent years, Congress has been too much under the influence of the grain traders, the chemicals manufacturers and others whose only concern is lobbying efforts—only concern is a huge volume of agricultural production. Their lobbying efforts are in the best interests of their business only but we farmers are the ones who take the brunt of it. It was simply planned economic starvation and not inefficiency that forced hundreds of thousands of farmers off their land in recent years.

Our low U.S. price grain policy has also made us the enemy in the eyes of millions of farmers in other countries around the world. They simply do not understand an agricultural policy that keeps lowering the world market price, and ladies and gentlemen, neither do I. I urge you to finally consider the producer at the top of your list and see that he is able to receive a fair return on his labor and his investment.

Do not worry about the agribusinesses so much. They have the trickle up theory and they know how to use it.

Please be reminded that in the long run livestock prices are influenced directly by grain prices. Cheap grain causes increased livestock production and down the road lower prices for livestock. And that will bring letters of complaints to your offices from these producers.

The National Farmers Union and most professional family farms ask for a simplified and a more direct farm bill that returns to the goal of assuring a reasonable livelihood by providing price and income protection to assure the family farm an income level that will compete with professional peers. Points that need changed we feel or even inserted through a new farm, under the wheat and feed grains bases should be established by units of production sufficient to meet our domestic, export, and reserve needs. Farmer-owned reserves should be used to prevent shortages. On-the-farm grain storage should be paid at the same rate as commercial storage. Right now there is a big discrepancy in the point that the commercial warehouse gets to what the farmer actually gets.

Loan rates need to be raised to a profitable level. The Findley provisions need to be repealed. I already see in 1990 for the Wheat Program, the Secretary of Agriculture has lowered the loan rate on wheat as maximum 5 percent. I think it is down to $1.90 or $1.92. We cannot have that. A catastrophic loss rule must be formulated. You also have to allow producers a one-time chance to prove the actual yields.

And for environmental issues you must also address them. Conservation reserves should be used as a last resort for land on which the soil type is too sandy to allow any type of chemical use without leaching into the ground water. Most of us realize the severe problem that prolonged chemical use can cause to ground water through some or all types of soil.

We realize there are many more votes in the nonfarm sector than in the farm sector but we would rather have this problem addressed and worked into a farm bill than to have tough restrictions placed on us because of the increased pressure put on Congress by special interests and environmental groups.

For dairy and livestock, the Price Support Program should reflect a two-tiered approach. Milk marketing orders should be updated by consolidating them to the extent it would improve producer income and market administration and by replacing the current system using multiple basing points and component pricing.

We must also review the idea of surplus dairy products. The Packers and Stockyards Act should be repealed to protect all producers from unfair competition and monopolistic practices by strengthening enforcement provisions. Producers have no control of the price of their products so they are at the mercy of the weather, Government policy and last but not least, the Board of Trade. Farm votes, they will hold you accountable come the next election what you give them in the Farm Program and I just ask you is there a choice but to give the farmers a chance to make a profit. Many farmers will depend on what you give them in the next farm program to make a profit through the 1990's.

I just have a real quick visual I would like to show you. A typical 20 slice loaf of bread you can buy in any supermarket costs about 75 cents. Of the 20 slices, the farmer actually gets about 1½ to 2 slices of income from the slice of bread.

Taxpayers need to be better educated as to the primary purpose and value of the farm programs. They do not understand that other industries in this country could stay in business very long if they were forced to use the same type of auction hammer market system that agriculture is forced to use. This market system must have a floor installed by a Farm Program and this floor should not be less than the total cost of production plus a reasonable U.S. profit. The average nonfarm taxpayer understands that his paychecks are not subject to the whims of traders and gamblers and therefore he can understand that farmers should not have to put up with such a system to receive a fair profit.

So we just ask you to simplify the farm programs but just do not eliminate them. We need them.

And in closing, I would just like to tell you to give deep thought to the 1990 farm bill and what it can do for the family farm because we cannot afford to lose anymore family farmers and the family farmer cannot afford to lose anymore of the two slices of bread he is getting from the loaf of bread.

Thank you. If you have any questions of myself or my colleague, we would be happy to answer them.

[The prepared statement of Mr. Basting appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thanks to all of you for excellent testimony.

I might make a couple of comments. One is that farm policy is complicated. I wish it were simple to make but it involves lots of different pieces. You have different geographical parts of this country. I said before when we were in Logansport that on the issue of flexibility—and I happen to advocate that, I am the author of the 10/25 provision in last year's disaster bill that lets the farmers plant up to 25 percent of their corn base—but boy did I hear it from Louisiana soybean producers that were furious with me for expanding the production of soybeans because they said they cannot plant corn down there. I have argued for base flexibility. Then I saw last month that the fastest growing wheat State in the country was North Carolina that is shifting large amount of tobacco acres into wheat. My Kansas farmers say we are all for flexibility but not if it means growing more wheat in places other than Kansas.

I guess what I am saying is, and I still think we need to move down that road, but agricultural policy is complicated because it has a lot of different public policy perspectives and a lot of other things that we deal with and that is the complexity of what we are doing. We, however, on the committee have a job to do in preserving family farm agriculture, not agribusiness or corporate agriculture, and we have a job to do to continue to convince the American people and the Congress that the amount of money we spend on agriculture is a bargain when you consider the small price the consumers pay for their food and when you consider that we spend ½ percent of our Federal budget on agriculture, and 30 percent of our Federal budget on defense. In 200, 300, 400, 500 years from now, I bet you people will look historically and say the sound food and fiber production in America was just as important to America's national security as anything they spend on defense and that is not to demean defense expenditures. But it is a complicated issue, and that is why people sometimes say, "Why do they not understand? Well, the problem is "they" represents sometimes hundreds of points of view that we have to bring together and reach a consensus on. Fortunately, with people like Jill Long and Jim Jontz we are able to move closer to that.

Let me just make a couple of comments. On Mr. Lash's testimony, I think he had excellent testimony. I would say, however, on your comments on food safety, it is extremely likely that food safety and environmental issues will be a part of the 1990 farm bill. In fact, my judgment is that there will be more debate on those than there will be on what the target price ought to be or what the loan rate ought to be or what the set-aside ought to be. So what we are going to have to do is hopefully meet with those who are interested in this subject, including producers who are also very interested in this subject, and hope that we have good judgment and we produce some environmental and food safety provisions that are not unnecessarily onerous and unnecessarily destructive. But issues of ground water are things that will come up in the 1990 farm bill. We are just going to have to do our best with them. People care about it and use good judgment about it and besides they are germane to the farm bill. We cannot keep them out even if we wanted to so we will just have to hope that we do it as sensibly as we possibly can.

On Mr. Trier's statement, I agree totally with you. The 1985 farm bill, whether wittingly or unwittingly, created a Federal Grain Board in the Department of Agriculture. We in the administration with the most conservative President gave the Department of Agriculture the same authority as they have in a socialist country setting the price of farm products, determining when they are going to be sold, under what conditions, how much. It is not done by the private sector anymore, at least with respect to oil, seeds, and grain. And maybe we need that. Maybe in a modern world, we are going to face the Europeans in 1992 and we have a lot of problems making sure that we have market access. But let us be honest about it, we have created a super powerful Department of Agriculture Federal Grain Board in this country. It is selling our products. And what we have to make sure is it is doing it fairly, there are no secret deals, there are no preferential arrangements with certain companies and so we do intend to do oversight and examine that to make sure in fact, that is the case.

I have been criticized because I have had some oversight hearings on the Export Enhancement Program. But do you know that we found out that the Department of Agriculture gave export bonuses to RichCo Grain to sell grain overseas. RichCo Grain, its owner is Marc Rich, the largest tax evader in the history of the United States. He is in Switzerland. He is a fugitive from justice. He owes this country $200 million and we gave his company bonuses to help move grain overseas. Now, it was negligence, it was probably an oversight. But all I am saying is, if we are going to have a Federal Grain Board in Washington, we had better make sure that they know what they are doing and that they do not make mistakes like this. One thing I would ask you, you said that we have to improve our relationships between the commodities. Some argue that to do that, we have to reduce the corn target price because it is out of line with respect to the wheat target price, the cotton target price and the rice target price. Do you have any comments on that, any of you?

Mr. TRIER. Well, I would only say that out of line in compared to what?

Mr. GLICKMAN. Compared to the cost of production. What is happened is that—now, some of my colleagues down South say that the corn target price as it relates to the cost of production is higher than wheat, cotton, rice, or the other feed grains and it has encouraged people to plant corn as opposed to the other commodities. Now, maybe the others are too low. But I just wondered if you might respond to that?

Mr. TRIER. My only point here is that one of our colleagues here today has a report from Ohio State University just done recently here, the cost of production of corn in Ohio is $2.53 a bushel. I do not see how we can lower the target price any more.

Mr. GLICKMAN. Well, I am not advocating that. I want to get your response for the record so when we go back, I want to go back and tell people what the folks in corn country have to say about it.

Does anybody else have any comments on that? Yes, sir, Mr. Lash.

Mr. LASH. Just the same thing as he says. It does cost us more to put out an acre of corn than it does wheat or soybeans but we have to put it out to hold our base.

Mr. GLICKMAN. OK. Well—yes, sir.

Mr. NASH. Mr. Chairman, distinguished members of the committee, I was the colleague from Ohio that brought these production figures. I am sure that the same type of production figures are available from Purdue, your land-grant university, but when you look at costs and this is put out by Ohio State University Farm Management Extension Service and they show that to produce a 90-bushel yield of corn that your cost per bushel is $2.77 a bushel, to produce 120 bushel yield per acre that your cost is $2.53 a bushel, to produce 150 bushels, the cost is $2.46. And when you look at the loan level of less than $2 a bushel considerably, you can see that farmers are attempting to produce at less than the cost of production.

When you carry it one step further, and again I am sure that Purdue, if you would like to have the Indiana figures, are parallel to these, when you carry it further with a production on soybeans for 1989, they projected a 30-bushel yield would cost you $7.07 a bushel to produce, a 40-bushel yield would cost you $6.28 a bushel to produce, a 50-bushel yield would cost $5.84 a bushel. And then we look at a loan rate with no other programs for soybeans whatever, a loan rate of $4.67 per bushel and you say, how in the name of goodness can you fill this building with 4-H club leaders and young 4-H people and how could you have an FFA? They have already changed the name of FFA. They have dropped the future farmers part of it, which I am sure you are aware of, and if you are going to have young farmers continue to come into agriculture, then you have to have a realistic income, at least they have to expect to get the cost of production plus just a small profit

Mr. GLICKMAN. Well, I would say that in my judgment, the 1990 farm bill ought not to reflect further reductions in the target prices, period. I think that given production increases, production expenses are increasing, we probably ought to go the other way but I do see, as Mr. Trier talked about, we are going to look at every commodity and examine whether they are in proper relationship with each other because if they are not, then you unnecessarily interfere with the marketplace and you encourage people to plant one kind of crop versus the other based upon planting for the target price which may not reflect the relative values of the commodities. It is just a sensible thing for us to look at as we look at that new farm bill.

Thank you very much. Mr. Jontz.

Mr. JONTZ. Let me also thank each of you for your statements.

Mr. Lash, in your testimony you said that it is important to stay on a course that will move us closer to the goal of a market driven and market oriented agriculture. In theory, I do not think there is much disagreement probably about that but tell me what you mean by that when it comes to the question of target prices. Do you think target prices should be cut further as the 1985 farm bill provided?

Mr. LASH. Yes, I think we should—I think we should get to a market-oriented market. It always seems like when you have the target price or loan rate, that sets your price of your grain. And if we can get rid of the grain, then we do not have anything to hold our price down. Once we lose our markets, it is very difficult to regain them. It always has been. We lost our markets to South America. We embargoed our soybeans a few years back. And then, of course, we lost a lot of our markets to Russia, our wheat markets to Russia. We embargoed wheat. We have had a terrible time getting them back and I think that has probably been one of our big problems with our grain markets today.

Mr. Jontz. So you would recommend a continued reduction in target prices?

Mr. Lash. Yes.

Mr. Jontz. On what basis? How do you feel that reduction should proceed? On what basis do you think it should proceed? Maybe you do not want to offer any recommendations—but if you do.

Mr. Lash. No, I do not.

Mr. Jontz. Mr. Trier, in your statement you note that NFO has called for the development of international trade agreements with other major producing nations on a commodity basis as an alternative to a single GATT agreement on agriculture and other foreign trade issues. Can you expand on what you see as the benefits of that approach to our international trade agreements?

Mr. Trier. I am obviously not an expert on international trade but I do understand a little about it. Originally, the GATT agreements did not even include agriculture. GATT trade agreements were set up for manufactured goods and products and only in the latter years did the agricultural community come into that area. There are separate agreements set up in, for instance, sugar, tea, and some other specialty crops. We need to negotiate with the major producing countries in the world on a commodity by commodity basis, not on a total agreement where we are thrown in with television sets and whatever.

Mr. Jontz. And what should be the objective of those negotiations?

Mr. Trier. The objectives should be a managed supply for world needs, managed production, and a realistic price where we can sell our product for a profit.

Mr. Jontz. A better balance between supply and demand on a world basis?

Mr. Trier. To put it simply, a supply management world wide.

Mr. Jontz. So that other nations would be engaged in supply management programs in the same sense that we already are?

Mr. Trier. When you look around the world, the agricultural community is on the bottom of the economic ladder. I do not care whether you go to the United States, Ethiopia, South America, agriculture is on the bottom of the economic ladder and that should not be. We need supply management to bring agriculture up with the rest of the economy.

Mr. Jontz. And if we could get those prices up, then there would not be any need for subsidies?

Mr. Trier. Right. It would be a lot less costly for the American taxpayer. If we can get our price out of the marketplace, if we can get rid of the deficiency payment, that farm bill instead of costing you $30 billion back in 1985 or 1986 will be down to where it was back in the 1970's.

Mr. Jontz. So instead of negotiating through GATT to eliminate subsidies, you recommend that we negotiate on a commodity basis with our major competitors to get supply and demand in better balance so that prices are where they should be?

Mr. Trier. Yes, sir.

Mr. **Jontz**. I think I will halt my questions at that point. I do want to welcome Mr. Nash to our State. We do the best we can in Indiana to look after the concerns of Ohio farmers on the Agriculture Committee since you do not have a member and we are happy to have you over here today and appreciate your leadership in agriculture.

Mr. **Glickman**. Thank you. Ms. Long.

Ms. **Long**. Thank you, Mr. Chairman.

Mr. Nash, I would like to echo Congressman Jontz' welcome to you. It is certainly a privilege for us to have you in Indiana and I am especially privileged because you are in my congressional district.

I would like to ask you, Mr. Basting, to submit your figures, your statistics on the cost of corn production in Ohio for the record because I think it is important for us to have that in the record.

[The material follows:]

Dr. Allen Lines [illegible]
[illegible]

No Government Program

1989 CORN PRODUCTION BUDGET 1/
(Conventional Tillage Practices)

ITEM	EXPLANATION	PRICE PER UNIT	YIELD/ACRE (bu./A) 90	120	150	YOUR BUDGET
RECEIPTS		$2.25 /bu.	$203	$270	$338	$____
VARIABLE COSTS						
Seed (kernels)	22000 24200 26400	$0.95 /1000 kernels	$21	$23	$25	$____
Fertilizer 2/						
N (lbs.)	80 120 200	$0.21 /lb.	$17	$25	$42	____
P2O5 (lbs.)	35 45 55	$0.23 /lb.	$8	$10	$13	____
K2O (lbs.)	50 60 70	$0.11 /lb.	$6	$7	$8	____
Lime (lbs.)	1000	$12.80 /T.	$6	$6	$6	____
Chemicals						
Atrazine 80W	2 lb. -	$1.90 /lb.	$4	$4	$4	____
Lasso	2.5 quart	$20.50 /gal.	$13	$13	$13	____
Counter, 15-G	8.7 lb.	$1.50 /lb.		-- If Needed --		____
Fuel, Oil, Grease			$11	$12	$13	____
Drying-Fuel & Electric Only	Dry 10 point	$0.12 /bu.	$11	$14	$18	____
Trucking - Fuel Only		$0.02 /bu.	$2	$2	$3	____
Repairs			$14	$15	$16	____
Miscellaneous 3/			$11	$12	$13	____
Int. on Oper. Cap. 4/	7 mo. - 10%		$6	$7	$9	____
TOTAL VARIABLE COSTS - Per Acre			$130	$150	$183	$____
- Per Bushel			$1.44	$1.25	$1.22	$____
FIXED COSTS						
Labor Charge	4.0 hours	$6.00 /hr.	$24	$24	$24	$____
Mach. & Equip. Charge			$50	$50	$50	____
Land Charge	Rent		$35	$65	$95	____
Management Charge	5% of Gross		$10	$14	$17	____
TOTAL FIXED COSTS			$119	$153	$186	$____
TOTAL COSTS - Per Acre			$249	$303	$369	$____
- Per Bushel			$2.77	$2.53	$2.46	$____
RETURN ABOVE VARIABLE COSTS			$73	$120	$155	$____
RETURN ABOVE TOTAL COSTS			($46)	($33)	($31)	$____

1/ Does not include costs or returns for storage of grain.

2/ Assumes only maintenance application of fertilizer needed, continuous corn, 3.8% O.M., 20 C.E.C., and soil test values of 45 lbs. P/A and 300 lbs. K/A.

3/ Includes supplies, utilities, soil tests, small tools, crop insurance, etc.

4/ Interest on all variable costs, except drying and trucking, for 7 months at 10% interest.

1989 CORN PRODUCTION BUDGET AND GOVERNMENT PROGRAMS: Conventional Tillage/120 bu. yield 1/2/

DATA USED IN COMPUTATIONS:	Sale Price	Loan Rate	Deficiency Rate	PLD Rate	Yields Expected	Yields ASCS 3/
Price Per Bushel	$2.25	$1.05	$0.59	$0 00	120	108

		********** ARP ONLY **********			
RECEIPTS	Non-Participant	Corn 0.90 Acres	ARP 0.1 Acres	Total 1 Acre	Per Acre Planted
Actual Yield @ Sale Price	$270	$243		$243	$270
Actual Yield @ Loan Rate 4/		$0		$0	$0
ASCS Yield @ Deficiency Rate		$57		$57	$63
ASCS Yield @ PLD Rate			$0	$0	
TOTAL RECEIPTS	$270	$300	$0	$300	$333
VARIABLE COSTS					
Seed	$23	$21	$1	$22	$24
Fertilizer	$48	$43		$43	$48
Chemicals	$17	$15		$15	$17
Fuel, oil, grease	$12	$11	$1	$12	$13
Drying	$14	$13		$13	$14
Trucking	$2	$2		$2	$2
Repairs	$15	$14		$14	$16
Miscellaneous	$12	$11		$11	$12
Int. on oper. cap.	$7	$6	$0	$6	$7
TOTAL VARIABLE COSTS	$150	$136	$1	$137	$152
FIXED COSTS					
Labor Charge	$24	$22	$2	$24	$27
Machinery & Equipment Charge	$50	$45	$5	$50	$56
Land Charge	$65	$59	$7	$66	$73
Management Charge	$14	$15	$0	$15	$17
TOT'L FIXED COSTS	$153	$141	$14	$155	$172
TOTAL COSTS	$303	$277	$15	$292	$324
RETURN ABOVE VARIABLE COSTS	$120			$163	$181
RETURN ABOVE TOTAL COSTS	($33)			$8	$9
COST & RETURN PER BUSHEL PRODUCED					
Vbl. Cost Per Bushel Produced	$1.25	Bushels Produced		$1.27	$1.27
Total Cost Per Bushel Produced	$2.53	=	108	$2.70	$2.70
Total Return Per Bu. Produced	$2.25			$2.78	$2.78

1/ Cash portion of advance deficiency & paid land diversion (PLD) payments subject to $50,000 limitation.

2/ Part of deficiency and diversion (PLD) payments can be received in advance, at sign up, reducing net cash outflow, hence reducing interest on operating capital. Part of the advance payment will be commodity certificates and part in cash. The portion in the form of certificates may result in increased receipts through redemption or sale.

3/ ASCS yields assumed to be 10% less than expected yield.

4/ Assumes 9 months storage at $0.28 per bushel. Net rate received is $1.37 per bushel. Grain sold at harvest if cash price >= net loan rate, otherwise forfeited to CCC.

1989 CORN PRODUCTION BUDGET & 0/92 GOVERNMENT PROGRAMS: Conventional Tillage/120 bushel yield 1/2/

DATA USED IN COMPUTATIONS:	0/92%	Sale Price	Loan Rate	Def'cy Rate	0/92 Rate	PLD Rate	Yields Expected	Yields ASCS 3/
Price Per Bushel	0	$2.25	$1.65	$0.59	$0.89	$0.00	120	108

		************** ARP ONLY **************				
RECEIPTS	Non-Participant	Corn 0.000 Acres	0/92 0.9 Acres	ARP 0.1 Acres	Total 1. Acre	Per Acre Planted
Actual Yield @ Sale Price	$270	$0			$0	ERR
Actual Yield @ Loan Rate 4/		$0			$0	ERR
ASCS Yield @ Deficiency Rate		$0			$0	ERR
ASCS Yield @ PLD Rate					$0	ERR
0/92 Deficiency Payment			$80		$80	ERR
TOTAL RECEIPTS	$270	$0	$80	$0	$80	ERR
VARIABLE COSTS						
Seed	$23	$0	$5	$1	$6	ERR
Fertilizer	$48	$0			$0	ERR
Chemicals	$17	$0			$0	ERR
Fuel, oil, grease	$12	$0	$5	$1	$6	ERR
Drying	$14	$0			$0	ERR
Trucking	$2	$0			$0	ERR
Repairs	$15	$0			$0	ERR
Miscellaneous	$12	$0			$0	ERR
Int. on oper. cap.	$7	$0	$1	$0	$1	ERR
TOTAL VARIABLE COSTS	$150	$0	$11	$1	$12	ERR
FIXED COSTS						
Labor Charge	$24	$0	$22	$2	$24	ERR
Machinery & Equipment Charge	$50	$0	$45	$5	$50	ERR
Land Charge	$65	$0	$59	$7	$66	ERR
Management Charge	$14	$0	$4	$0	$4	ERR
TOTAL FIXED COSTS	$153	$0	$130	$14	$144	ERR
TOTAL COSTS	$303	$0	$141	$15	$156	ERR
RETURN ABOVE VARIABLE COSTS	$120				$68	ERR
RETURN ABOVE TOTAL COSTS	($33)				($76)	ERR
COST & RETURN PER BUSHEL PRODUCED						
Vbl. Cost Per Bushel Produced	$1.25		Bushels Produced		ERR	ERR
Total Cost Per Bushel Produced	$2.53		=	0	ERR	ERR
Total Return Per Bu. Produced	$2.25				ERR	ERR

1/ Cash portion of advance deficiency & paid land diversion (PLD) payments subject to $50,000 limitation.

2/ Part of deficiency and diversion (PLD) payments can be received in advance, at sign up, reducing net cash outflow, hence reducing interest on operating capital. Part of the advance payment will be commodity certificates and part in cash. The portion in the form of certificates may result in increased receipts through redemption or sale.

3/ ASCS yields assumed to be 10% less than expected yield.

4/ Assumes 9 months storage at $0.28 per bushel. Net rate received is $1.37 per bushel. Grain sold at harvest if cash price >= net loan rate, otherwise forfeited to CCC.

1989 SOYBEAN PRODUCTION BUDGET 1/
(Conventional Till)

ITEM	EXPLANATION			PRICE PER UNIT	YIELD/ACRE (bu./A) 30	40	50	YOUR BUDGET
RECEIPTS				$6.50 /bu.	$195	$260	$325	$_____
VARIABLE COSTS								
Seed		1.25 bu.		$11.50 /bu.	$14	$14	$14	$_____
Fertilizer 2/								
P205 (lbs.)	30	40	50	$0.23 /lb.	$7	$9	$12	_____
K20 (lbs.)	70	85	100	$0.11 /lb.	$8	$9	$11	_____
Lime (lbs.)		1000		$12.80 /T.	$6	$6	$6	_____
MnSO4(lbs.)		6		$0.30 /lb.		— If Needed --		_____
Chemicals								
Apron 3/ (if needed)					$3	$3	$3	_____
Sencor/Lexone 75DF	0.50 lb.			$19.60 /lb.	$10	$10	$10	_____
Dual		2 pint		$50.50 /gal.	$13	$13	$13	_____
Fuel, Oil, Grease					$9	$10	$11	_____
Trucking - Fuel Only				$0.02 /bu.	$1	$1	$1	_____
Repairs					$12	$13	$14	_____
Miscellaneous 4/					$11	$12	$13	_____
Int. on Oper. Cap. 5/	6 mo.			10%	$5	$5	$5	_____
					----	----	----	---
TOTAL VARIABLE COSTS - Per Acre					$99	$105	$113	$_____
- Per Bushel					$3.28	$2.61	$2.25	$_____
FIXED COSTS								
Labor Charge		3.0 hours		$6.00 /hr.	$18	$18	$18	$_____
Mach. & Equip. Charge					$50	$50	$50	_____
Land Charge		Rent			$35	$65	$95	_____
Management Charge		5% of Gross			$10	$13	$16	_____
					----	----	----	---
TOTAL FIXED COSTS					$113	$146	$179	$_____
TOTAL COSTS - Per Acre					$212	$251	$292	$_____
- Per Bushel					$7.07	$6.28	$5.84	$_____
						4.67 loan		
RETURN ABOVE VARIABLE COSTS					$97	$156	$213	$_____
RETURN ABOVE TOTAL COSTS					($17)	$9	$33	$_____

1/ Does not include costs or returns for storage of grain.

2/ Assumes only maintenance application of fertilizer needed, soil test values of 40 lb. P/A and 250 lb. K/A.

3/ Several options are available to eliminate phytophora damping off: 1) phytophora-tolerant varieties treated with Apron at an extra cost of $2.50 per bushel, 2) Ridomil soil treatment at a cost of about $12.00 per acre, or 3) purchase true phytophora-resistant varieties.

4/ Includes supplies, utilities, soil tests, small tools, crop insurance, etc.

5/ Interest on all variable costs, except trucking, for 6 months at 10% interest.

1989 SOYBEAN PRODUCTION BUDGET 1/
(No-till)

ITEM	EXPLANATION	PRICE PER UNIT	YIELD/ACRE (bu./A) 30	40	50	YOUR BUDGET
RECEIPTS		$6.50 /bu.	$195	$260	$325	$____
VARIABLE COSTS						
Seed	1.25 bu.	$11.50 /bu.	$14	$14	$14	$____
Fertilizer 2/						
P205 (lbs.)	30 40 50	$0.23 /lb.	$7	$9	$12	____
K20 (lbs.)	70 85 100	$0.11 /lb.	$8	$9	$11	____
Lime (lbs.)	1000	$12.80 /T.	$6	$6	$6	____
MnSO4 (lbs.)	6	$0.30 /lb.		-- If Needed --		____
Chemicals						
Apron 3/ (If needed)			$3	$3	$3	____
Sencor/Lexone 75DF	0.60 lb.	$19.60 /lb.	$12	$12	$12	____
Dual	2.25 pint	$50.50 /gal.	$14	$14	$14	____
Gramoxone Super	1.5 pint	$36.25 /gal.	$7	$7	$7	____
Fuel, Oil, Grease			$5	$6	$7	____
Trucking-Fuel Only		$0.0[illegible] /bu.	$1	$1	$1	____
Repairs			$10	$11	$12	____
Miscellaneous 4/			$11	$12	$13	____
Int. on Oper. Cap. 5/	6 mo.	10%	$5	$5	$6	____
			----	----	----	---
TOTAL VARIABLE COSTS - Per Acre			$103	$109	$118	$____
- Per Bushel			$3.42	$2.71	$2.35	$____
FIXED COSTS						
Labor Charge	2.0 hours	$6.00 /hr.	$12	$12	$12	$____
Mach. & Equip. Charge			$50	$50	$50	____
Land Charge	Rent		$35	$65	$95	____
Management Charge	5% of Gross		$10	$13	$16	____
			----	----	----	---
TOTAL FIXED COSTS			$107	$140	$173	$____
TOTAL COSTS - Per Acre			$210	$249	$291	$____
- Per Bushel			$7.00	$6.23	$5.82	$____
RETURN ABOVE VARIABLE COSTS			$93	$152	$208	$____
RETURN ABOVE TOTAL COSTS			($15)	$11	$34	$____

1/ Does not include costs or returns for storage of grain.

2/ Assumes only maintenance application of fertilizer needed, soil test values of 40 lb. P/A and 250 lb. K/A.

3/ Several options are available to eliminate phytophora damping off: 1) phytophora-tolerant varieties treated with Apron at an extra cost of $2.50 per bushel, 2) Ridomil soil treatment at a cost of about $12.00 per acre, or 3) purchase true phytophora-resistant varieties.

4/ Includes supplies, utilities, soil tests, small tools, crop insurance, etc.

5/ Interest on all variable costs, except trucking, for 6 months at 10% interest.

Ms. LONG. I have a question for Walter and I think I know what your answer is going to be but I would also like it included in the record. We have put you in the hot seat today, Walter. And that is in your statement that on checkoffs, the people in the segment of the agricultural business community or the agribusiness community that benefit from a checkoff should share in the costs. I do not disagree with you but I would like some specifics from you to be included in the record.

Mr. TRIER. The people who would benefit from checkoffs are obviously seed companies. If you went down to Indianapolis in the last session of the legislature, the primary lobbyists down there were the corn seed companies. Why were they there? Obviously, they want more production. More production means more sales and obviously more sales means more profits. Chemical companies, fertilizer companies, more sales or more acres planted means more sales and more volumes. Grain merchandisers, grain handlers, the transportation people, the more they move the more they store, the more profit they make.

And just to carry it a little farther, the other beneficiaries include equipment manufacturers and real estate people and I suppose even our people in Hollywood make a little money off the checkoffs.

Ms. LONG. Thank you. I have no other questions, Mr. Chairman.

Mr. GLICKMAN. I want to thank this panel for their excellent testimony today.

The next panel, Mr. John Nidlinger, board member, Indiana Corn Growers; Mr. Roger Hadley, Indiana Soybean Association; Mr. Robert Lozier, AMP, Associated Milk Producers; and Mr. Mel Egolf, delegate, Milk Marketing, Inc. Thank you very much, for being here. We will go ahead and begin with Mr. Nidlinger and then we will proceed with the rest of you. As I indicated before, your entire statements will appear in the record.

STATEMENT OF JOHN D. NIDLINGER, DISTRICT DIRECTOR, INDIANA CORN GROWERS ASSOCIATION

Mr. NIDLINGER. Thank you, Mr. Glickman.

Good afternoon. I am John Nidlinger, a fifth generation corn, soybean, and hog farmer from Decatur, Indiana. What I hope to be the sixth generation of our farm is in attendance with me today. I serve as a director on the State board of Indiana Corn Growers Association. And I thank you for this opportunity to appear before you and share some issues of critical importance to corn growers that will be debated as you develop a successor to the 1985 Food Security Act.

We must all be very cognizant of the fact that what we are discussing today is not the next farm bill but a food security act. The Indiana Corn Growers Association recognizes that while domestic farm policy is extremely important to the prosperity of the farm sector, farmers must be ready and willing to address issues other than target prices, export programs, et cetera.

Within this framework, I will offer our organization's views in three major areas. These are:

One, the Conservation Reserve Program;

Two, crop insurance versus disaster assistance; and

Three, environmental issues.

The Food Security Act of 1985 was flexible and adaptable enough to address the mounting grain stocks that plagued both the marketplace and the Federal budget. One key component of the act was the creation of the Conservation Reserve Program. While the CRP was very successful, it needed to go farther and faster. The CRP should be continued and possibly expanded.

The program's acreage should be accepted more quickly so that we do not continue to pay crop deficiency payments on cropland that which will be eventually bid into the CRP program in a few years. We encourage the USDA to investigate the possible extension of CRP contracts for an additional 5 to 10 years as land that has been planted to trees will not become productive in the initial 10-year timeframe.

We encourage the development of filter strips adjacent to environmentally fragile sites in addition to waterways, and allow these strips to be bid into an expanded CRP. These should be brought in under a new provision and not at the exclusion of cropland destined for the original CRP acreage targets.

The last 2 years have stirred a controversy in the crop insurance arena. The Indiana Corn Growers Association believes there is a need for insurance of some type. However, farmers will not purchase Federal crop insurance if they are confident that the Federal Government will step in to provide disaster assistance in a real emergency. A level of consistency must be established and maintained. Either we should have a workable and affordable crop insurance or we should discard this program and plan on disaster relief. To continue both is not fiscally responsible. One important component of a good Crop Insurance Program is that, similar to auto insurance, premium rates should be based upon insurance and crop loss history.

Everyone is conscious of the environment. However, it has always been in the farmer's best interest to work in partnership with nature because the land and water are our allies in producing food for a hungry world. There are some suggestions we want to offer to improve this partnership. First, there is a need to establish guidelines for control of prohibitive noxious weeds, for example, Canadian thistle and johnsongrass, on public lands adjacent to primary farming areas.

Second, we are concerned that the "stick" approach to weed control on set-aside acres has not been effective. Therefore, we propose a "carrot" incentive approach. By redistributing the amount and timing of deficiency payments, while basing them on the first 5 months of the marketing year, farmers would receive a portion of their final deficiency payment, for example, $10 per acre only if they control weeds on their set-aside acres by the county deadline. If not, then the portion is forfeited to a county fund administered by the ASCS or SCS to assist in countywide weed eradication programs.

One other area that concerns us is the entire LISA, Low Input Sustainable Agriculture movement. Many individuals and people are discussing LISA but an agreed-upon definition is very elusive. The theory behind LISA has always been at the heart of a farmer's management system. Farmers should always be striving to use the least amount of inputs that provide for both the immediate and long-term profitability while conserving our natural resources.

The 1990 Food Security Act is not the place to use the LISA concept as a baseline management. We have a responsibility to adequately reserach this concept one project at a time to determine its benefits. Striking a balance between conservation and profitability is imperative to our food supply. The bottom line is that sustainable agriculture must be profitable.

We are concerned that some environmental groups will be using LISA as leverage to accomplish their goals which are purely detrimental to production agriculture. Ultimately, there are too many hidden agendas under LISA's skirt to know her true intentions.

Thank you for allowing us to share our views with you today. We appreciate the interest that you and your colleagues have in knowing the concerns of Indiana corn farmers.

Thank you.

[The prepared statement of Mr. Nidlinger appears at the conclusion of the hearing.]

Ms. LONG [acting chairman]. Thank you, Mr. Nidlinger. That was very good testimony.

Mr. Hadley.

STATEMENT OF ROGER W. HADLEY II, INDIANA SOYBEAN GROWERS ASSOCIATION

Mr. HADLEY. Thank you, Congresswoman Long, Congressman Jontz and Chairman Glickman. I am Roger Hadley II, a soybean farmer along with corn, wheat, and hogs from the Woodburn, Indiana area. It is an honor to come before you today. The soybean farmers appreciate your coming to the county to meet with those of us who are directly affected by the important decisions that you make.

From what I have heard, you were very closely involved in the disaster bill just passed by Congress last Friday. While I do not have a serious disaster situation on my farm this year, I could next. Just as farmers in the South and the western Corn Belt needed assistance this year, I may sometime in the future.

There is a parallel here for the coming farm bill. It may be tempting in the farm bill debate for one region to turn a deaf ear to the interests of another. Yet the needs of all regions are valid and must be considered. For soybeans, it is important to explore ways in which regional concerns can be addressed in an overall Farm Program.

The two most important parts of the 1990 farm bill for soybean farmers are the domestic Farm Program and environmental policy. That is not to say that international trade and research are not important, because they are. I hope Congress writes a farm bill based on what is good policy rather than trying to conform to what might develop through the GATT negotiations underway.

As for the Soybean Farm Program, over the years soybeans have had a nonrecourse loan program. It worked well until foreign production expanded and farm programs started encouraging production of program crops over nonprogram crops. An unanticipated consequence of the 1985 farm bill was to skew net returns in favor of program crops away from soybeans and other nonprogram crops. The planting signals sent by each farm program affects the entire crop production mix since most farmers produce several crops.

Simply put, despite the market price, it is more lucrative for me to maximize my production of corn due to the target price return and the need to preserve base rather than plant soybeans. Foreign competitors now enjoy the benefit of a world soybean price supported by nonrecourse loan, and are expanding soybean production in response to the relatively higher market price for soybeans compared to other feed and food grain crops.

Many farmers would like to get out of "base lock" so that they can plant soybeans without penalty of losing base. They want to get back to a more balanced crop rotation, which means better weed control, less use of fertilizer, chemicals, and insecticides.

But many bankers understandably discourage farmers from planting less corn and more soybeans because it would devalue their farmland because of base loss. As I mentioned earlier, the target price for corn also offers a better return than the soybean market price.

Consequently, increased farmer freedom to plant to capture market opportunities and improve agronomic practices is a step in the right direction for soybean policy. However, soybean returns must be somehow brought in balance more consistently with those of other crops.

As for environmental policy, it is true that most farmers will use fewer chemicals if it is to their economic advantage to do so. Many farmers today are experimenting with reduced application rates.

Farmer education about improved production practices with sound use of ag chemicals and other "success stories" will go a long way to encourage farmer concern and action on the environment.

Farmers do not need more regulations, more paperwork, or sanctions resulting from new environmental or conservation laws from environmental policy. Mandatory well-testing, recordkeeping, and the like will only create a negative mindset among farmers on the environment.

You have an important job ahead of you in the coming year. Decisions you make will chart the course of U.S. agriculture into the next century.

Thanks for coming to Indiana and thanks for the opportunity for me to be here.

[The prepared statement of Mr. Hadley appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much.

Mr. Lozier.

STATEMENT OF ROBERT D. LOZIER, MEMBER, BOARD OF DIRECTORS, ASSOCIATED MILK PRODUCERS, INC.

Mr. LOZIER. Thank you, Chairman Glickman, and Members of Congress and committee members.

I am Bob Lozier, a farmer from Warsaw, Indiana, a member of the board of directors of Associated Milk Producers, Inc. I appreciate this opportunity to comment on the factors to be considered in shaping the 1990 farm bill.

While I do produce grain, my farm operation centers on the dairy enterprise. As a dairyman, I have been concerned that the grain policies of the 1980's have often resulted in market prices at less than the cost of production. This has encouraged livestock production, including an expansion of milk output. This has reduced income to dairy farmers. It has also distorted regional production patterns by reducing feed costs in areas where dairymen purchase most of their feed supplies relative to areas such as ours where we raise a substantial portion of our needs.

While Associated Milk Producers, Inc., does not make specific recommendations on grain policy, we do support the strongest possible grain program as we recognize the need for grain producers to earn a reasonable return on their operations. Many dairymen are grain producers. More importantly a strong dairy industry can only exist within the framework of a healthy agricultural economy. We do not believe the answer to dairy farmers' problems can be found in cheap grain.

Looking at the overall agricultural policy, we feel the work of the National Commission on Dairy Policy created by Congress as a part of the 1985 farm bill provides a sound basis for the 1990 farm bill. Specifically, the Commission called for continuing the purchase-type price support program which has served well since 1949. It recommended establishment of some type of index as a means of establishing the price support level. Finally, the Commission recommended providing standby supply management authority as a permanent part of dairy policy. This authority would be used under stated conditions to prevent the buildup of costly, burdensome surplus milk production capacity.

AMPI has long recommended use of supply management as a policy tool which will hold down Government costs and improve farm income. The two-tier price program advanced by AMPI can accomplish these goals while avoiding adverse effects on other producers and other problems claimed under past supply management programs.

Thank you, committee for this opportunity.

[The prepared statement of Mr. Lozier appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you, Mr. Lozier.

Mr. Egolf.

STATEMENT OF MEL A. EGOLF, DELEGATE, MILK MARKETING, INC.

Mr. EGOLF. Thank you very much. My name is Mel Egolf, I am a dairy farmer. I live at Churubusco, Indiana. I am a delegate to Milk Marketing, Inc. MMI is a regional dairy cooperative that represents roughly 7,000 dairy producers. We appreciate this opportunity.

Mr. GLICKMAN. You notice, by the way, we did have Dairy Queens, at least two of us here. We did that because of you all, not because we were hungry.

Mr. EGOLF. Just solely for us, huh.

Mr. GLICKMAN. That is right.

Mr. EGOLF. We appreciate that.

As the discussion begins on the 1990 farm bill, it is important to note that the dairy industry enters this new legislative process in a vastly different position than we did prior to the formation of the 1985 farm bill.

Huge surpluses of dairy products in Government storage are gone and along with it the $2 billion price tag of the Dairy Program.

Milk production and consumption are now in such close balance that virtually no cheese and nonfat dry milk has been removed from the market by the USDA this year.

Much of this balance in the market can be attributed to the Dairy Herd Termination Program which was part of the 1985 act.

Frankly, it is our opinion that the program worked. Cow numbers decreased, milk production dropped, and beef markets were not adversely impacted. The bill has performed well.

As we look to the 1990 bill, dairy farmers urge consideration of dairy legislation that will provide long-term supply balance and market stability.

The framework around which dairy policy should be developed in our opinion has five basic parts.

First, the report of the National Commission on Dairy Policy constitutes a workable basis for the 1990 program.

Second, the current purchase-based price support program should continue to be a basis for providing necessary stability to the dairy industry.

Third, Federal dairy policy should be on a permanent basis to reflect market demand through appropriate signals to producers to adjust production according to the needs of the market. A standby supply adjustment program is a vital part of this objective.

Fourth, price supports should be adjusted only as necessary to reflect the overall supply-demand balance in the industry. These adjustments should be made on a total milk solids basis and should be maintained within fixed percentage limits of existing support levels and recent average market prices.

Fifth, if dairy support prices become excessive, on total solids basis, then the cost of excess removals should be the responsibility of individual producers. This should only be to the extent necessary to offset these excessive program costs.

Dairy producers are also very concerned with the effect of Bovine Somatropin—BST—upon our industry once it is approved by the FDA. We feel the prudent position is to accept the fact that the product will, at some point in time, be accepted by our industry.

Consumer education on the facts concerning this product is a must. Our industry could suffer significant damage if consumer confidence is eroded because of false information and inaccurate facts.

We feel it is our responsibility as an industry in conjunction with the manufacturers of the product and the Federal Government to work together on a program to relieve consumer fear of this product.

The U.S. dairy industry has been, and in our—I got ahead of myself there. Finally, we are concerned about the on-going GATT negotiations.

The U.S. dairy industry, in our opinion, should remain a domestic industry. Because of the nature of our product, very little of it moves in international trading circles. Section 22 of the GATT agreement protects our domestic industry against unwarranted and subsidized intrusion from foreign dairy markets. Eliminating this provision of GATT will devastate our industry and destroy the Dairy Price Support Program which serves us well by establishing a floor price for our product.

The Dairy Price Support Program cannot function without section 22 protections. This factor alone is reason enough to resist any modifications or eliminations of this vital piece of national dairy policy.

I want to thank each and every one of you for this opportunity to make this statement and assure you that Milk Marketing stands ready to discuss with you all of the issues on the proceeding legislative effort.

Thank you very much.

[The prepared statement of Mr. Egolf appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much, Mr. Egolf.

I just have one question of Mr. Hadley. Do you think that soybeans ought to be a full program crop in the 1990 farm bill? That is, should they be subject to not only the loan protection but target price protection as well as the set-aside authorities and theoretically the diversion authorities that corn and feed grains have? That is, as you know—one of the discussion points, you have heard it today, has to do with the corn/soybean relationship and we have never had—soybeans in recent years has not been a program crop. How do you feel about it becoming a full program crop?

Mr. HADLEY. I personally do not want to see soybeans become a full program crop, neither does the Indiana Soybean Growers Association and I do not believe the ASA does. What we would like to see though is some provision so that soybeans are not planted as a last resort only after you have complied with a corn program and a wheat program. We would like it setup so that we can have flexibility. A soybean farmer or any farmer, should have the flexibility that if he sees the market developing in such a way that soybeans are more profitable that year, he does not have to plant 100 percent of the corn he was mandated to, or the wheat he was mandated to, but he should be allowed to switch to soybeans or oats if it looks better. We need the flexibility in there and we need some sort of a price support in there different from what it is now, whether it should be based on maybe the carryover supply.

Mr. GLICKMAN. But if you get the price support too high on soybeans, the pressure is going to be to bring it into a program and have set-aside authority and supply management authority like you have for the other program crops. That is the danger you face.

Mr. HADLEY. That is the danger you face but on the other hand, if you leave soybeans with the price floors as they are today we are helping the foreign competators and U.S. soybean markets dwindle we are just reinforcing soybean markets in Brazil, Argentina and abroad. We are losing ground right now, and have for the past 10 years and I think somehow the farm bill needs to tie in to protect the U.S. farmers. We do not want to see the Feruzzis, the Cargills, and other big importers or big users of soybeans to start importing from other countries for us to use in our oils and our feeds.

Mr. Glickman. Right. Well, as you may know, I am the author of a bill that would set up the Soybean Checkoff Program.

Mr. Hadley. Correct.

Mr. Glickman. I do not have the unanimous support on that piece of legislation but we are trying to work out some of the more serious problem areas. Mr. Jontz is working on me quite well. But the goal again is to do what you are trying to do which is soybean producers helping themselves to increase demand.

Mr. Hadley. Correct.

Mr. Glickman. Whether that is in the form of new uses or in the form of expanded overseas sales. I think there are just tremendous opportunities there for soybeans and it has been called the miracle crop and I do not even think we have scratched the surface yet on what this crop can do for the world.

Mr. Hadley. I totally agree with you. I appreciate your work and I have some questions afterwards to ask you about that.

Mr. Glickman. OK, thank you. Ms. Long.

Ms. Long. Thanks, Mr. Chairman. I do not have any questions but I would like to say that the testimony of this panel is excellent. I really appreciate your input.

Mr. Glickman. Thank you. Mr. Jontz.

Mr. Jontz. I do have one question for Mr. Nidlinger. I was very interested in your comments on the conservation reserve. And, as you know, we do not have as much corn acreage at least around here in conservation reserve as maybe some had hoped. Some of our colleagues in the Agriculture Committee from western States where a great deal of land has been put into conservation reserve are getting very edgy about the program and would like to have a moratorium on it and we are hearing quite a diversity of views on conservation reserve. You mentioned the possibility of going beyond the 40-45 million acre target. You did make one recommendation for increasing the attractiveness of conservation reserve here in this part of the country where we need to extend the time period for production of trees to something more reasonable.

Do you have any other recommendations about what we should be doing to get more corn acreage in conservation reserve?

Mr. Nidlinger. Well, Mr. Jontz, I think as Mr. Glickman mentioned earlier, it is a very complicated arena when you look at the farm policy. And we look at the CRP, I believe today we are somewhere in the neighborhood of 38—34 or 35 million acres bid into the CRP and whatever came in with this last round of bidding that came up last week, what is accepted, we are not sure at that time. CRP acreage, as you have also alluded to, has taken a large portion of wheat acreage out in the western areas of the country and has been very—taken out some marginally soybean production acreage in the southern areas.

When we talk about protecting an additional incentive for acreage that has been in the CRP for some time, it was initially bid into, we need to start thinking about those acreage—what we can do to be sure that they do not have the plow—the plow put to them and returned back into production. They are very fragile, very erodible land and I think that being good stewards of the soil we probably do not want to see them returned to production. They are not efficient producers.

But on that token, one item that we might—could be considered—would be protecting the base. Quite often or in the case of that situation, there was a base, a corn base bid into the CRP. With that, we want to see a protection of that base, whether it be for another 5- or 10-year period, I am not real sure. I do not feel that I am the one here today to answer that question.

You also mentioned do we want to go that 45 million acres and do we want to go past that point. As a farmer from northeastern Indiana, I cannot truly say that but I think as a member of the board, as an Indiana corn grower, and I guess I wear a couple of other hats here today also, being members of other farm organizations, we need to be very cognizant of the fact that maybe we need to sit back and evaluate where we are at today, what is in the CRP. Maybe there are some areas that we specifically need to work on that we have not arrived there yet, particularly on areas that are very close to some very environmentally sensitive areas that have not yet been bid into the CRP that would not fall within those guidelines.

Thank you.

Mr. JONTZ. Thank you. That is my all questions.

Mr. GLICKMAN. Thank you very much for your testimony, we appreciate it.

Ms. Long, did you have an announcement to make?

Ms. LONG. Yes, I do. We have one more panel that will be presenting official testimony. After the next panel gives its testimony, we are going to take a short break and my two colleagues here and I will answer questions of the press and then we will reconvene and open the floor to anyone who would like to offer recommendations regarding the 1990 farm bill. Chairman Glickman has to leave here by 4:15 p.m. to catch a plane to go back to Kansas so we are going to be cutting it fairly close.

I have a message. I had not announced yet, and would like to announce that David Miers, who is Indiana's deputy commissioner of agriculture is here in the back and is doing an outstanding job. You may recall earlier this year when we were having a terrific problem with too much rain and were not able to get our crops planted and he came up and stopped the rains. He came up and brought us a helicopter and we were able to tour the area and determine how serious the damage was and then he went to work on the problem and did get the rain stopped. So it is very nice to have you here in the Fourth District and we appreciate the work that you are doing on behalf of farmers all across the State, but we particularly appreciate what you are doing for northeast Indiana farmers.

Mr. GLICKMAN. Thank you very much. Our last panel is Mr. C. Lockwood Marine, commodity vice president, Central Soya; Mr. Vernon Shupe, Farmers Elevator Co. and member of the board of the Indiana Feed Grain Association; and Mr. Ken Kipfer, Riverside Warehouses, Bluffton, Indiana. We are delighted to have you all here today. I think we will go ahead and do it as you are sitting here. So Mr. Marine, we will start with you, then Mr. Shupe, and Mr. Kipfer last.

STATEMENT OF C. LOCKWOOD MARINE, SENIOR VICE PRESIDENT, COMMODITIES, CENTRAL SOYA CO., INC.

Mr. MARINE. Thank you, Mr. Chairman and members of the subcommittee. I certainly appreciate the opportunity to comment today on the 1990 farm bill.

My name is Lockwood Marine. I am senior vice president of Central Soya which is headquartered just east of here in Fort Wayne. I also serve as vice chairman of the National Oilseed Processors Association, which represents domestic oilseed processors throughout the United States.

As you probably know, Central Soya is an international agribusiness firm with operations in grain merchandising, soybean processing, feed manufacturing, and the production of refined products for human consumption from soybeans.

The 1985 Food Security Act was a step in the right direction of increasing the market orientation for U.S. agriculture, making U.S. commodities more competitive in world markets and bringing the farm sector into a better supply/demand balance. However, it contained a very serious flaw which restricts producers' flexibility to switch acreage from surplus production of program crops. This has had a major impact on our business.

The U.S. oilseeds industry from the producer to the processor to the marketer frankly is in deep trouble. Over the past 10 years, U.S. soybean acreage has declined 12 million acres or 18 percent. During this same period, Brazil and Argentina have increased both area and production over 60 percent and the European economic community has expanded oilseed production by over 200 percent.

The U.S. processing industry has closed 21 plants while dozens of new plants have been and are still being built in South America.

There are two reasons for these trends. First, the U.S. Farm Program which discourages the switch of acres from surplus crops to more scarce oilseeds and second, the unfair trade practices of our competitors in South America and Europe.

What can be done about this? First, as you develop the 1990 Farm Program, I urge you to create true farmer flexibility that will let market prices and conditions dictate what crop is planted rather than the need to protect base acreage.

Second, insist that the Trade Representative's office stop the unfair trade practices of Argentina and the EEC.

And third, reading from the chairman's script, it is time to begin reducing the role of the Federal Government in agriculture. Today Government policies rather than farmers determine what is planted, the use of PIK certificates and the EEP programs put the USDA in the role of influencing what is marketed and who buys our exports and what they pay for them.

Thanks for the opportunity to share my views. I look forward to working with you during the development of this legislation.

[The prepared statement of Mr. Marine appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you, Mr. Marine, and I know you summarized your written statement and it will appear in the record in its entirety.

Mr. Shupe.

STATEMENT OF VERNON E. SHUPE, MANAGER, FARMERS ELEVATOR CO.

Mr. SHUPE. I am Vernon Shupe, manager of the Farmers Elevator Co. with locations at South Whitley and Raber in Whitley County, Indiana. The elevators are a farmer-owned cooperative, owned by the farmers in the surrounding area and the company is a major grain merchandiser, feed, fertilizer, and agricultural chemical dealer within the county.

I thank you for the invitation to speak to you today concerning the writing of the 1990 farm bill. Today I would like to speak to you concerning a provision in the past farm bill which has caused a negative financial impact on the agricultural businesses within Whitley County, Indiana. The provision that I want to speak to you about is the Conservation Reserve Program or the CRP, whereby a farmer is paid for removing his land from crop production for a period of 10 years.

The sales and income of agribusiness is based on the sales of fertilizer, seed, and agricultural chemicals, to produce an agricultural crop. Agribusiness also benefits when these crops are sold from these producing acres.

In the past agribusiness firms have invested large sums of money for equipment and storage facilities to service the needs of farmers who have used their land for the purpose of producing a grain crop. When farmers enroll their land in the CRP program, these facilities are not needed.

I am not here today to tell you that the CRP program is a bad program. I am here to point out that the program has made it attractive to idle certain types of land and Whitley County has an abundance of this land. It is my understanding that some counties in Indiana have very little acreage enrolled in the CRP program while other counties have in excess of 10 percent of tillable acres enrolled.

Before CRP, Whitley County had approximately 160,000 acres of tillable; 57,000 acres of corn base and 23,000 acres of wheat base.

Whitley County has before the last sign-up, 18,642 acres enrolled in the CRP program, which has reduced the corn base acres by 5,800 acres. If we put some crop acreage estimates to the acres reduced by the CRP, Whitley County has reduced corn acreages by 5,800 acres, soybean acreages by 8,000, wheat acreage by 3,000 acres, and approximately 1,800 acres of miscellaneous crops. If we use average yields on these acres lost to CRP, it could be estimated that Whitley County has lost in excess of 1 million bushels of grain production potential. In addition to the reduction in bushes of grain, inputs to produce these bushels have been lost. The inputs to produce these bushels would require approximately 2,500 tons of fertilizer, 16,000 bags of seed and $325,000 of agricultural chemicals.

Since Whitley County, Indiana has the largest acreage enrolled in the CRP program in Indiana, I would like to suggest that the 1990 farm bill contain a provision that would make the CRP program attractive to farmers in other areas.

I thank you for this opportunity to speak with you and would be pleased to answer any questions.

[The prepared statement of Mr. Shupe appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much, Mr. Shupe.

Mr. Kipfer.

STATEMENT OF KEN KIPFER, PRESIDENT, RIVERSIDE WAREHOUSE, INC.

Mr. KIPFER. Thank you, Chairman. I think you will notice that I will be reading a summary. .

My name is Ken Kipfer. I am president of Riverside Warehouse from Bluffton, Indiana. We deal in fertilizers, chemicals, pesticides, custom application, and agronomy assistance. Our marketing area is primarily the Adams, Wells, Jay, and Huntington Counties.

I would like to personally thank you on behalf of the fertilizer dealers in the State of Indiana for not only your involvement in the ag subcommittee but also for your efforts here today and hopefully something can be gleaned that can be of use to you.

On behalf of the fertilizer industry, we do have many concerns for the future, but to sum it up in a single word, I would have to say environment. These concerns become even more complicated when we consider some other key issues such as how do we keep the American farmer being the most efficient food producer in the world; how do we get American agriculture back on track of producing the lowest cost per unit rather than depending on Government subsidies to sustain them? How can we fund our industry to be able to be in compliance with such issues as dyking, fencing, security, rinsate pads, dealer and farmer education on environmental issues, recertification and the like. And how do we cope with the liability issues both from the industry side and from the business side? And then perhaps the toughest one of all is making this whole thing come together in such a way that it will not be a real burden to the American taxpayer.

Although the 1985 farm bill was badly needed and did much good in the way of price supports to the farmer, it also, in my opinion, had a couple of faults. I believe that long term it is the wrong teaching concept and I believe that it dealt a crippling blow to the ag support industry. We had to deal with such things as the PIK Program 0/92, 2 years of 35 percent set-aside, 20 percent set-aside. They have dealt a severe blow to our industry and profits due to us being severely cut back because of farmer spending cut backs.

In the future I believe that the dealer will have to work even closer than before with the American farmer in order to pioneer methods that will keep them producing at least cost per unit and yet be cognizant of environmental issues. It will take a dedication on both of our parts but something else—profit. Something that has been missing over the last several years due to acreage cutbacks.

In the 1985 farm bill, there was money set aside to search out new ways to keep agriculture sustainable and thus LISA was born. Although we can support parts of LISA, we cannot support all because we believe there are limits to its claims. For an example, a study from the Iowa State Center for Agriculture and Rural Development estimates that there would be a 75-percent decrease in supplies of corn and wheat with a switch to low input systems and the center for agricultural science and technology predicts a decrease of 25 percent in crop yield for current grain and livestock farmers switching to low input systems and a much greater decrease on just cash grain farmers.

When you consider the fact that food producers must increase by 2 percent annually just to maintain world diets of a growing population—estimated to be 6 billion by the year 2000—low input systems cannot be considered sustainable.

The fertilizer industry we believe has a better answer through the use of BMP's or best management practices. By broad scale use of BMP's we can keep on being the lowest cost food producer in the world, plus we believe be in compliance with the upcoming mandates relative to the ground water issues. However, we dare not ask for any one part of society to pay for such as an issue that we are involved in and need to preserve.

I believe American agriculture must begin rebuilding in two ways:

One, we need to find a way to compete in the world markets in such a way as to encourage consumption or the enhancement of life and to discourage foreign competition, or retreat into self-sufficiency, thereby giving up the incentive generated by farm exports in the past, a very integral part of America's well-being.

And two, to achieve renegotiation of the GATT foreign trade rules in order to enhance America's position of production flexibility and to protect fiercely the concept of lowest costs per unit through the use of BMP's. Nothing less will stave off our fierce competitors.

Thank you.

[The prepared statement of Mr. Kipfer appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you, an excellent statement, and your entire statement as well as the summary—you had some materials that you attached will be made a part of the record.

Just one more comment than a question. Mr. Shupe, I understand your concerns about CRP and the amount of acreage that has gone into it in this particular county. I cannot tell you what we are going to do with the CRP next year because there is a split, a schism in terms of regionally developed concerns there. But the 1985 farm bill again was written during a time we thought the surplus would be here forever and that is changed. While we did put a cap on the amount of acreage, I think that could be taken out in set-asides and CRP. As I recall, it is no more than 25 percent of a county that could be taken but I am aware that it works some hardships and there are certain parts of the country which have a lot more land taken out than others. We are going to revisit all of that as part of the 1990 farm bill because it obviously has an impact on agribusiness, elevators, fertilizer folks, and I appreciate your concern. I just want to let you know that we are aware of it.

Mr. **Shupe**. Thank you.

Mr. **Glickman**. Ms. Long.

Ms. **Long**. Thank you, Mr. Chairman. A number of panelists today, a number of witnesses today, have indicated problems with having land set-aside and problems with not having land set-aside. When you take land out of production, which we did in the 1985 farm bill, we did that so we could reduce some of the oversupply and get the price up. But in the process of doing that, we obviously cut back on production and as a consequence lost some of our foreign markets, and foreign competitors stepped in and took over those markets and started selling to some of our customers. If you do not cut production, however, you do end up with an oversupply and the price is too low to cover the cost of production for the farmers. So you have to kind of—you have to try to walk a fine line and find the kind of incentive programs that are going to result in the right level of production of each commodity in addition to enhancing our exports and improving our exports at a price that customers around the world can afford to pay and at the same time cover the cost of production of the farmer.

My question to you is, If you were writing the 1990 farm bill, if you had the opportunity to do—to write the 1990 farm bill, what approach would you take regarding moving toward a marketing orientation or production controls? What would you like to see included? What do you think ought to be included and that is addressed to any one of the three of you or all three of you if you so care to answer.

Mr. **Marine**. Well, I have spelled out in my written testimony that we believe it is absolutely essential the United States have—the U.S. producer have more flexibility to respond to market signals. We do not have a specific formula that we are writing. I think a look at the normal crop acreage concept of the 1970's certainly would provide some good possible alternatives to consider.

Ms. **Long**. Mr. Shupe, do you have any or Mr. Kipfer?

Mr. **Shupe**. As I said, I think the CRP was a good program and I still do. I think I do not mind suffering a little as long as everybody is suffering along with me. And there is a lot of land that has been taken out of production that should never be put back in production and I think the CRP should be continued, but if it is going to be continued, I think we should take some of the high producing ground out of production and those people should be made—pay them enough so they will take some of that ground out of production and that will—I do not know if we have reduced the bushels that much by some of the ground—land that we have taken out of production.

Mr. **Kipfer**. I understand the production of rural production but somehow there has to be a way to—perhaps a decoupling of payments from production. We need to encourage the farmers to still produce the least cost unit method or maximum economic yields in some way and I believe that perhaps that if we look at our competitors, I do not have a problem with subsidies but I do have a problem with the way we subsidize. I think that perhaps it should be done on the other end rather than a production end.

Ms. **Long**. Thank you.

Mr. **Glickman**. Mr. Jontz.

Mr. **Jontz**. Thank you, Mr. Chairman. Mr. Marine, I note in your testimony that you conclude that one of the problems we have had with our competition for worldwide oilseed markets is unfair trade practices on behalf of some of our competitors in South America. I asked Secretary Yeutter that very question when he came to testify before the Agriculture Committee a few months ago and he denied any knowledge of any unfair trade practices by Argentina or Brazil. Now, what would you say in response to that comment?

Mr. **Marine**. Congressman, I would say the same thing that I said to him directly, the National Ulsey Processors Association filed a 301 case against the unfair trade practices in Argentina during the period of time that Secretary Yeutter was U.S. Trade Representative. So if he is unaware of any practices that are unfair, obviously his staff is not keeping him informed of what is going on. I think he is aware but he chooses perhaps to ignore the situation.

Mr. **Jontz**. Do you think that the issues relating to Third World debt and the interests of the banks in this country in getting their payments has had some influence on our country's trade policy in regard to South America and Argentina? Why are we looking the other way? Why are we ignoring what is going on down there?

Mr. **Marine**. Well, trade policy is much like agricultural policy. It is very complicated and there are no pat answers but I think it is very clear that the need to protect fragile democracies in South America, the need to attempt to protect certain major banks, loans in South America, have colored the division of the U.S. Trade Representative's office and they have done some things that are not only not in the best interest of the American farmer, they are probably not in the best interest of those same South American countries and we have documented evidence to prove that.

Mr. **Jontz**. I certainly would conclude that our policies have done much more to protect the interests of the banks than they have to protect the interests of the fragile democracies in South America.

One other thing I might add. I am sure you know much more about this than I do but my belief is, or understanding is, that the short-term agreement that was reached in the GATT talks in Geneva awhile back, that Secretary Yeutter and Ambassador Hills came home and ballyhooed as a great achievement, in fact, exempts Brazil and Argentina as developing countries from engaging in additional subsidies on agricultural exports.

Are you aware of that? Can you illuminate that issue any?

Mr. **Marine**. That issue is not completely clear. It is—while they do owe a lot of money and they have certain elements of underdevelopment, in the true sense of underdeveloped countries it is hard to call either Argentina or Brazil an underdeveloped country. If you go to Rio or Buenos Aires, I think anybody would understand that they are not necessarily underdeveloped countries.

Mr. **Jontz**. Thank you.

Mr. **Glickman**. Thank you. I just have one final question. Mr. Marine, there is a lot of talk about whether we should be selling soybean oil, vegetable oil to the Russians under the Export Enhancement Program and we had a little dispute in the hearing last week with Mr. Crowder, the Under Secretary and one of my colleagues from Iowa, Mr. Nagle, took Mr. Crowder to task because saying that the Soviets would have been in the market to buy soybean oil and we screwed up the EEP program.

But it has been brought to my attention the oil that we may be selling may, in fact, be coming from soybeans that are being imported into this country and we may be engaged in kind of a circular thing where no substantial benefit to U.S. soybean producers. Could you comment on this?

Mr. MARINE. Well, there is a loophole in the current law, customs law, which allows duty drawback where if you import a commodity and reexport essentially the same commodity, you can get your import duty refunded. There was an indication that there was soybean oil being imported from South America and reexported and getting the benefits of the Export Enhancement Program in addition to getting the duty drawback. Obviously we and almost any other fair-minded person do not believe that the program was intended to aid the reexport of South American soybean oil.

Mr. GLICKMAN. Is that happening now that you are aware of?

Mr. MARINE. There has been—Congress has introduced legislation to attempt to close that loophole. We trust that no one is going to do that in the meantime.

Mr. GLICKMAN. Now, how about people importing the beans, crushing them here and selling the oil back either—to another country, either export enhanced oil or nonexport enhanced oil, is that being done?

Mr. MARINE. Well, there is no duty, import duty on soybeans.

Mr. GLICKMAN. Yes.

Mr. MARINE. The only soybeans of any quantity that are being imported into the United States have come across the border from Canada. They are basically from Ontario. It is the same production area as Ohio and Indiana. But there are very modest amounts of soybeans that have ever been imported into the United States.

Mr. GLICKMAN. Thank you very much for your testimony. I want to thank all the witnesses for their testimony.

Ms. Long, do you have any final comments you would like to make?

Ms. LONG. I would simply like to thank Chairman Glickman for coming here from Kansas to hold this official field hearing and certainly thank Congressman Jontz for helping me to get this set up and participating today.

I have long been a believer that we will get the best legislation when we include more people, and particularly more people from my district in developing that legislation. And we are going to be taking what you have said here back to Washington and it will be incorporated as we develop the 1990 farm bill. I want to thank all of the witnesses as well as my Agriculture Advisory Committee as well as the many men and women here.

We are going to take a short break and we will answer questions for the press. And then we are going to open it up for any questions or recommendations that you have.

Thank you very much.

Mr. GLICKMAN. Thank you. The hearing is adjourned.

[Whereupon, at 4 p.m., the subcommittee was adjourned, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF

AGRICULTURAL ADVISORY COMMITTEE

Mr. Chairman and Members of the Subcommittee:

Thank you for this opportunity to share with you a number of issues that are of concern to the farmers of north-eastern Indiana. I am appearing here on behalf of the Agriculture Advisory Committee for the 4th Congressional District of Indiana. The views I am presenting represent a collection of concerns and not a consensus of opinions. Heaven knows when a group of farmers sit down around a coffee pot, they can all identify the problem but there are as many solutions as there are cups on the table.

RESEARCH

FLEXIBILITY is the key word on the mind of many members of this advisory committee. We would like flexibility of crop production in government programs if research can prove that by using crop rotation in these programs, there will be less soil erosion, decreased chemical usage, less chance of chemical run-off, no increased cost to the government and no major negative economic shift in the agricuture economy.

1. More research for cutting the cost of production rather than increasing production.

2. Support increased funding of Universities and Land Grant Colleges so they can be less dependent on Agri-Business donations and their influence.

3. Aggressive research programs aimed at environmental concerns.

4. We ask that bushels or pounds be used in government programs rather than acreage allotments.

5. Farmers are tired of help from the government in the form of price support hand-outs and need help in developing new uses and markets for their products.

6. Export Enhancement should be continued. As U.S. farmers cut production to stimulate the market, foreign countries increase their production and any market price benefits are short lived. We need a fair price for our products, but that price cannot be at the exspense of taking U.S. land out of production.

7. All government programs should be streamlined and simplified in their operation and implementation. In the past few years, farmers have had to learn a "foreign language" called "bureaucrat rap" in order to do business at today's marketplace. Farm programs should be written for those that walk the fields, not the halls of skyscrapers in big cities.

8. Schedule all government payments so producers can rely on when payments will be made.

9. Improve grain quality standards on a national scope before marketing. Farmers should be rewarded for producing grains above a set standard not docked for grain that falls below a "floating" standard.

10. Discourage crop insurance and disaster payments.

11. Have NO mandatory government programs.

12. Idle all federally owned land. Government ground should not be in production. Farmers should not have to compete with the U.S. government.

13. Discourage foreign investments in American Agriculture and if possible, prohibit foreign owned land from government subsidy programs.

14. Prohibit creditors from inflicting further losses on farmers facing bankruptcy or foreclosure by making creditors liable for additional losses caused by their actions. An example would be refusing to loan a farmer additional money to buy fuel to dry his grain and forcing him to sell it wet at a much reduced price even though he had grain dryers sitting idle on his farm. Or selling livestock before it has reached a marketable weight because the creditor refused to sell additional feed. We are asking for a review of financial procedures where federal money is at stake, which would include banks with FDIC guarantee.

Ladies and Gentlemen, as you can see, our list is long and sometimes contradictory. But the bottom line and the reason we are here today is to tell you that we want a helping hand, not a hand out. We are not interested in working for the government, we just want to farm successfully today so our kids can continue to farm tomorrow.

Thank you.

1990 FARM BILL TESTIMONY
JOHN CARAVETTA
EXTENSION AGENT AGRICULTURE
AUGUST 8, 1989

The Cooperative Extension Service has outlined several National Initiatives which relate to Agriculture, and will be impacted by the 1990 Farm Bill.

First among these initiatives addresses competitiveness and profitability in agriculture. Future profitability will depend not on increasing production levels, but maintaining competitiveness in a global economy. In Northeast Indiana we see a need for:

* improved economic efficiency
* development, application and transfer of technology
* balanced health, nutrition, and environmental concerns with profitability goals
* development of long-term agricultural policy that considers national needs and global realities

The 1990 Farm Bill needs to provide flexibility for alternative agricultural opportunities--our second initiative. On many farms, current agricultural practices related to traditional crop and livestock products cannot sustain both profitability and protection of the environment. In Northeast Indiana Extension is concerned with:

* maintaining profitability while protecting the environment
* evaluation of new enterprises as a means of diversification
* exploration of non-farm income sources

The quality of our water - especially its impact on our health and well-being - is of great concern. Some of the concern centers on the impact agricultural chemicals, rural waste systems, and livestock enterprises have on water quality. Critical issues which relate to the water quality initiative include:

* protection of groundwater and the impact of agriculture on the water supply
* conservation and wise use of our water resources

Revitalization of rural America is identified as a fourth initiative. Rural America is responsible for food and fiber production as well as stewardship of 90% of our land and water resources. The diminishing economic competitiveness of rural areas, diversification of local economies, and dependence on too few income sources are all critical issues in Northeastern Indiana, and will be impacted by the 1990 Farm Bill due to the large agricultural support base these economies share.

Youth in primarily agricultural communities are especially at risk from changes in the farm sector due to fewer off-farm income opportunities.

As the 1990 Farm Bill comes to fruition, we see a need for greater program flexibility to aid in the establishment of integrated pest management systems to reduce the need for production inputs; allowances for alternative crop enterprises in order to diversify production systems; and increased attention to environmental concerns while maintaining profitability.

STATEMENT OF JACKIE HAFFNER, FARMER, JAY COUNTY, INDIANA - INDIANA CITIZEN ACTION COALITION: BEFORE THE HOUSE AGRICULTURE SUBCOMMITTEE ON THE 1990 FARM BILL: FIELD HEARING - JILL LONG - AUGUST 8, 1989

Thank you Representative Long and members of the committee. My name is Jackie Haffner, my husband Dick and I raise corn, soybeans and have a swine operation near Portland, Indiana.

I appreciate the opportunity to be here today. I am a board member of the Indiana Rural Organizing Project, a farm program of Citizen Action Coalition. CAC is a non-profit citizen based public interest group working throughout Indiana. Since 1982, CAC has been working with family farmers to stop farm foreclosures and to inform farmers of their rights and options as borrowers. In the process CAC has examined the root causes of financial problems faced by troubled farmers and has worked with farmers to correct those through the legislative process. I am here today to report on these findings and to present ideas which we believe warrant your examination.

The past several years have been extremely difficult for farmers in Indiana, and across the nation. In our own case we have suffered crop disasters in 1981, 1983, and 1988. In addition, low commodity prices, high interest rates and the resulting devaluation of land and equipment have caused credit sources for operating funds to disappear.

I would like to take this opportunity to present our assessment of the current situation and the effects of the 1985 Food Security Act and I would like to give you some thoughts on what should be incorporated into the credit section of the 1990 Farm Bill.

Many farmers in 1989 are still suffering from the aftermath of last summer's drought or are facing other weather related crop losses. While we recognize the efforts of this committee in adopting the Disaster Assistance Act of 1988 and its extension for 1989, there remains tremendous farm losses not compensated for by this drought relief. Livestock producers were not compensated equally with grain producers even though their production was greatly affected by the weather. Hogs do not eat hay, but the weather affected the health of the entire heard. We have suffered from reproduction problems, in floor gains, and there has been an increase in diseases which have added significantly to our loss of income for which there has been no compensation.

The mandatory Federal Crop Insurance program was intended to protect farmers from such weather related disasters. However, this insurance is not adequate. For example, this spring, the wet weather caused planting delays, which will reduce our yields, and we will be penalized further by reduced base yields resulting from this late planting. In order for Federal Crop Insurance to be effective, many changes must be made in the existing program.

I am a family farmer, and it is my experience that many family farmers are seriously questioning the effectiveness of the 1985 farm program. It was supposed to increase our exports, decrease government costs, reduce surplus stocks, and increase farm income. Exports may have increased, but only with the taxpayers subsidized sales through the Export Enhancement Program (EEPP) which increased the volume, but not the value of the product. Our grain surpluses are down, not due to successful administration of the Farm Bill, but due to the devastating drought and continued sales of our dwindling reserves. Average net farm income has only increased from $30.5 billion in 1985 to $31.0 billion in 1987. That is only a 1.6% increase despite the infusion of over $40 billion in government costs.

The majority of any increase in the net cash income is due to direct government payments. Even so according to a March 1989 GAO report, this level only rose slightly from $39 billion in 1985 to an estimated $43 billion in 1988. The other reason for higher prices is the worst drought in 50 years. For most farmers increased prices were more than offset by loss in production. For those few farmers not hit by the drought, the increase in market prices helped those farmers cashflow, often for the first time in many years. If this year shows record crop production, as it very well might, prices will again fall and farmers will probably break even or once again not recover their costs of production.

For family farmers, rural communities, the consumer, and the taxpayer the 1985 Farm Bill has been devastating. According to the American Bankers Association, 484,000 family farms have gone out of business since 1985. 2,500 farms are going out of business each week. In Indiana between 1982-85, 5,000 farms were lost and in one year between 1986-87 another 5,000 were lost. This is being seen nationwide, and minority farmers are losing their land at an even more devastating rate. If the present trend continues black farmers will be landless by the end of the century.

The economic distress continues to create family stress. In 1987 in Iowa, there were 14 suicides per 100,000 population, the highest since 1958. In mid July of this summer, a Farm Credit System borrower, having given up hope to work through the debt restructuring process committed suicide on the steps of FCS. In our own community, we have seen an increase in heart and respiratory illness in farmers according to our family doctor. The real tragedy is the loss of productivity and premature aging that results from loss of hope and total frustration with the system.

Rural communities have not benefited from the 1985 Farm Bill either. Rural poverty levels are now 35% higher than those of urban areas. Nearly 17% of rural Americans currently earn below the poverty line. The economic downslide has created a continual out-migration from our rural communities. According to USDA, nearly one million people left rural areas from 1986-87, this was up from 630,000 the previous year.

Over 1.6 million people are unemployed in rural areas, and it's no surprise that the rural community infrastructure is showing signs of decay. More than half of the hospital closures in 1988 were in rural areas. According to the Environmental Protection Agency, the latest estimates of sewage treatment needs in rural communities indicates a back log of over $28 billion in unmet needs. Farm policy effects more than farmers and this must be taken into consideration when forging farm policy.

Consumers were supposed to benefit from the 1985 Farm Bill. We know from past history that farm prices do not have a strong correlation with grocery store prices. As farm prices have fallen, retail prices have continued to climb. During last summer's drought, comsumer prices of several cereal products substantially increased, with the explanation from food processors that it was caused by the drought. Something is definitely wrong when farmers are going broke and increasing numbers of urban and rural families cannot afford to feed their children. This is happening while food processing companies are reaping record profits. During the debate over the next Farm Bill, we urge this committee to examine what is happening between the farmgate and the grocery check-out line.

The taxpayer has been footing the bill for a federal farm program that is neither keeping food costs down nor farmers on the land. Taxpayers spent $44 billion in the last 3 years of the 1981 Farm Bill. The first three years under the 1985 Farm Bill, taxpayers spent $49 billion. Direct payments to farmers jumped to $32 billion in 3 years compared to a total of $25 billion over the previous four years. These 1985-88 totals would have been much higher if it hadn't been for the drought, which knocked $10 billion off the total direct payments due to the price increases. Taxpayers have also invested a lot in trying to expand our exports. In 1987 we used tax dollars to assist with 68% of wheat and flour exports and 22% of feed grain exports. This is compared to 46% and 11% respectively in FY 1985. In FY 1986, 87, 88, and 89, taxpayers spent $31 billion, as compared to $19.0 billion for the previous four years to stimulate exports.

I speak for farmers who feel there needs to be a major shift in the direction policy if we are to sustain a family farm system of agriculture through the 1990's and into the next century. Family farmers have proven themselves to be efficient and stable producers of food, have been the backbone of rural economies and when it has been economically feasible, good stewards of the land. It makes no sense to destroy the family farm system for short term gains while setting the stage for long term disaster. We are asking Congress to adopt a farm policy that benefits family farmers, consumers, the environment and taxpayers.

We would like to suggest that this committee take a serious look at policies that enable farmers to receive a fair price at the marketplace. This would mean setting price support levels based upon farm cost of production for all commodities including livestock products. It would also mean that our markets are protected from unfair competition. I must admit that I have mixed feelings on protectionism and I am reluctant to ask for special favors for farmers, but the total situation demonstrates that this needs to be considered.

A balanced supply with demand seems to be the answer but our experience with this system proves that those who control the supply and whose demands are the loudest are benefiting at the expense of family farmers. Presently we are subsidizing grain traders so they can sell our grain at below cost in an attempt to expand our markets. This is costly for taxpayers and destablizes the economies of other countries. Furthermore we are losing money and sacrificing our soil and water quality in the process. This does not make sense.

Instead a program which bases production units on bushels and pounds or bales, instead of acreage set-asides would be more practical. This policy could increase net farm income and reduce taxpayer expense by eliminating the need for deficiency payments and excessive CCC storage costs. Supply must be controlled if farmers expect a fair price at the marketplace. A surplus left to rot while people go hungry is disgraceful and helps no one in the long run. Creating a fair system of production quotas is a monumental task for any programs but "supply management" does merit consideration.

The environmental consequences of high chemical use over the last 3 decades are going to be borne by our whole society. Consumers, farmers, and environmentalists are calling for new policies that will enable farmers to shift their farming practices. We strongly believe that when family farmers receive a fair price for what they produce, they are the best stewards of the land. We live closest to the land are directly affected by our farming practices - in the water we drink or from the chemicals we must apply. If given a choice we would much rather limit chemical use and protect our soil and water resources by good farming practices, than mine our soil and apply excessive doses of chemicals to make up for resource depletion.

There are many ways to reduce the amount of chemicals necessary to control weeds without sacrificing production. For example, we have mixed soybean oil with chemicals which has allowed us to reduce the amount of chemicals necessary to do the job, while at the same time preserving our previous yields. We would like to see farmers given the support to continue such experimentation with on farm research making use of natural products. This makes sense as it reduces the need for high chemical applications as well as encourages the development of new uses for the products we raise. It is also the type of program that will be cost effective for producers and taxpayers and is environmentally sound.

We recommend that the 1990 farm program address the current program barriers to farming with fewer chemicals and in a more sustainable way. For example, farmers who employ crop rotations and utilize legume crops to enhance their soil quality should not be penalized by a reduction in base. Feed grain, wheat, and soybean programs should allow for and encourage crop rotations as a part of program compliance. We are serious about the need for economically feasible conservation, and view the development of the feed grain, wheat and soybean program as a vital part of accomplishing this goal.

Feed grains would not have to be given special consideration if farmers received a fair market price for both grain and livestock products. The cost of feed would be included in the total cost of production and we would not be fighting each other. Livestock producers need protection from corporations with cheap grain supplies. The family farmer is efficient and can compete with larger units, but we certainly need some help on the supply side as a few larger units can flood the markets and lower prices. Quotas on production would not be popular, but would be better than the extreme cycles we have experienced. With large investments in building and equipment we need a price based on our costs if we are expected to survive.

We understand that the scope of this hearing is the Grain Commodity Section of the 1990 Farm Bill, however, we want to point out that in the past farmers have suffered from the lack of continuity in the total farm bill package. It has not proven true that the sum of all the various parts of previous bills have been a comprehensive whole and we want to ensure that this does not happen in 1990. We therefore feel it is appropriate to emphasize the importance of this committee to study and closely monitor the continuing implementation of the 1987 Ag Credit Act.

The economic turbulence of the past eight years has not been solved with higher prices in 1988. The 1987 Act promised the opportunity to restructure farm debt and keep farmers on their land when the cost of restructuring was less than that of foreclosure. The past years have been a jigsaw puzzle for far too many borrowers who have been trying to take advantage of their new rights under this law. Over 70,000 delinquent FmHA borrowers received their restructuring notices over Thanksgiving last year. Of the 36.000 borrowers that returned their applications within the 45 day deadline, only 3,166 had been offered debt restructuring with a write-down as of April 24, 1989. By this same date, almost 14,000 borrowers were offered net-recovery buy out which is merely an option to buy without any FmHA financing. It is distressing that so few borrowers have received the kind of debt restructuring envisioned under this Act.

Of utmost concern is FmHA's method for calculating the least cost alternative. Our understanding is that FmHA is projecting 5% per year commodity price cuts and 5% per year annual increases in the cost of production. Numbers such as these make it almost impossible for anyone to cashflow. Senator Conrad has requested that GAO prepare an analyses of the DALR$ program, the computer system used to determine borrower eligibility for the different options under the legislation.

The next round of notices will be sent out in September to more than 20,000 borrowers that became delinquent on Jan 1, 1989. This high number of delinquencies in farming states such as Iowa with 2,034, Minnesota with 1,478, North Dakota with 1,800, South Dakota with 1,259, Oklahoma with 1,495, Texas with 2,407, Wisconsin with 1,598, Illinois with 1,489, Mississippi with 1,964, Tennessee with 1,322, Nebraska with 1,039 and Indiana with 848 raises many concerns about the aftermath of last year's drought and the ongoing credit situation of many farmers.

In all fairness, we need restructuring of past debts at a time when the current year does not cash flow due to prices that are below the cost of production. If we mandate agencies to make these loans, we are encouraging irresponsibility. We must have fair prices in order to qualify for loans, otherwise we are prolonging the agony and we will eventually have to default

The implementation of the law by the Farm Credit System raises even more concerns. Most recently farmers have been denied their restructuring rights and the right to sue FCS. The court's recent interpretation of Congress' intent on a farmer's right to sue removes FCS one step further from public accountability which is counter to our system of checks and balances especially when taxpayer dollars have been used to support the Farm Credit System.

Given the tremendous debt problem with in the farming industry, it seems ludicrous for pieces of a farm bill to be written in a vacuum without consideration first and foremost of the total scope of the industry and the problems which must be dealt with in order to revitalize and nourish a healthy family farm system. In closing I would emphasize that if America is committed to a system of food production based on family-owned and operated farms, then Congress must take a bold step and forge a new direction in the 1990 Farm Bill based on fair and profitable prices at the marketplace coupled with protection for United States producers. It should encompass Grain and Commodity Programs which protect produces who are struggling to recover from the "farm crisis", encourage new and re-entry farmers, and it should promote farming practices which preserve and protect our soil and water resources.

Thank you for hearing my testimony and I look forward to working with you during the upcoming debate and passage of the 1990 Farm bill.

INDIANA FARM BUREAU, INC.

TESTIMONY

HOUSE SUB-COMMITTEE ON WHEAT, SOYBEANS & FEED GRAINS
4-H Center - Columbia City, Indiana

Presented by:

Mr. Louis Lash
R. R. #2
Avilla, Indiana
Telephone (219) 897-3800

Mr. Chairman:

Thanks for the opportunity to testify. My name is Louis Lash, owner and operator of a grain farm in Noble County, Indiana. I farm 144 acres of wheat, soybeans and grains.

Thanks to Congressman Jontz and Congresswoman Long for their efforts on behalf of farmers and Congressman Glickman for coming to Indiana to hear directly from farmers.

I am here today representing the Indiana Farm Bureau, a general farm organization in Indiana. Four of every five farmers belonging to an agricultural organization are members of Farm Bureau.

1. Overall farmers in Indiana have been satisfied with the 1985 Farm Bill. It moved us in the direction of a more market-oriented agriculture and has helped us become more competitive for markets abroad. Our domestic grain stacks have been reduced significantly, primarily because of the (EEP) Export Enhancement Program.

2. Looking to 1990 and the farm bill that will start us through the next decade, we feel it is important to stay on a course that will move us closer to the goal of a market-driven and market-oriented agriculture.

There are several reasons for this Mr. Chairman but the primary reason is one of future opportunity for agriculture. If we are not competitive for international markets and we choose in the 1990 farm bill to encourage production through artificially high government prices, then we run the risk of reducing corn production by one-third and soybean acreage by one-half in the state of Indiana. This is the amount of production that goes to foreign markets. Agriculture is this state's biggest industry.

CORN production in state:
SOYBEAN production in state:
HOG production in state:

3. We will need a farm bill for the 1990's that has flexibility from a production standpoint as well as flexibility on the marketing side.

If the 1985 farm bill falls short in our view it is in the area of flexibility. We need to be able to shift more easily from one crop to another to fit current market needs than we are now able to do. For example: soybean acreage has suffered in recent years because the current program encourages farmers to plant corn - even when the market signals for increased bean acreage. Most farmers will not sacrifice corn base acres - even when bean prices are higher. One of the biggest challenges of the 1990 farm bill will be to provide flexibility without negatively impacting non-program crops.

4. Our major problem as farmers is not domestic competition today but international competition. Like it or not we are part of a very active world economy today and the self-reliance of being able to provide all of our needs domestically is only a myth. We recognize that we do not farm in a vacuum - many factors affect our opportunity for profitability. Farm policy must take into account global political and economic forces but we must be given equal opportunity to compete with foreign producers. It is important that Farm Program legislation not be held hostage in 1990 to talks involved in the GATT. There has been talk in some quarters that we should either delay or extend current legislation for a year or two to see what develops from the current trade talks. We feel this would be very harmful to U.S. agriculture if this is allowed to happen. As the leading exporter of food and fiber world-wide, we feel it is important to move forward with a farm bill that lets our trading partners around the world know we mean to continue as the leading agricultural exporter in the world. We need to press hard in the GATT for the reduction of trade distorting subsidies and the elimination of market access barriers. We must be allowed to compete on a level playing field. If our competition is fair, I believe we can compete with anyone.

5. Farmers are concerned about the food safety issue that has really been intensified to an emotional issue as a result of the apple Alar situation. U.S. producers know that the food supply of this country is the safest, most wholesome and varied of any food supply in the world.

We are concerned about the many myths that exist today regarding food safety. There is a belief that natural substances are okay and safe, and man-made substances are unsafe. This is not true. There is also a belief that if substances in large amounts are harmful to humans, then those same substances in small or minute doses are also harmful. This is not true.

There are those who promote the zero tolerance level as the only safe level for chemicals or substances in food production. We need to recognize that in 1950, we could only detect in parts per million. By 1965, scientists could detect in parts per billion. That level increased in 1975 to parts per trillion. Today, some substances can be measured in parts per quadrillion. At some point in the near future, substances will be measured in parts per quintillion. My point is that we are rapidly approaching the point where there is no zero level. To reach zero, we need to destroy all matter. Today, at least two million organic compounds have been identified in a glass of common drinking water. The incidence of cancer, except for lung cancer, has remained unchanged in the last 30 to 50 years.

There is discussion that food safety should be a part of the 1990 farm bill. This is not the place to regulate food safety. We currently have agencies in place to provide a safe food supply, namely, FDA, EPA, and FIFRA. We believe the regulation of food safety should remain with these agencies.

6. The budget and taxes are two very important factors in the farm program legislation. Farm Program costs have been declining from some $26 billion in 1986 to around $14 billion this year. However, as farm program costs decline, balancing the budget should not be at the expense of farmers alone.

A 1% increase in interest rates take away $1 to $2 billion in net farm income. This is the reason budget and tax considerations are so important to farmers as you begin discussions to shape the 1990 farm bill.

7. I want to close with and emphasize a statement made by American Farm Bureau President, Dean Kleckner, before your Committee in Washington last month, concerning environmental considerations in the 1990 Farm Bill and I quote "our first concern is with the opportunity to produce. If the environmental portions of the new farm bill are so restrictive that farmers and ranchers lose the opportunity to use the resources they control, then the farm bill will be a failure, regardless of other provisions it may contain."

Farmers are good stewards of the soil Mr. Chairman. It is our livelihood. But we must be given flexibility to use wisely the resources we own to continue the abundant high quality production of food and fiber that benefits us all.

Thank you again for this opportunity to present our views.

National Farmers Organization
N F O
STATE OF INDIANA

Subcommittee on Wheat, Soybeans,
and Feed Grains
Committee on Agriculture
U.S. House of Representatives

Statement of Walter A. Trier
National Farmers Organization
August 8, 1989

First I would like to thank the committee for your timely action in holding this hearing in preparation for the 1990 farm bill and coming here to NE Indiana . The National Farmers Organization is happy to have the opportunity to have some input in this new legislation.

Lack of flexibility is one of the key problems of the 1985 Food and Security Act. Under current program requirements, a producer's ability to make planting decisions in response to commodity supply levels, or culturally sound crop rotation practices are severely limited. The current program, while voluntary in theory, in reality has been economically mandatory for the vast majority of producers. During the 60' and 70' feed grain program participation in the corn belt ranged from 20 to 30% compared to 80 to 90% in recent years. In our judgment, there are two underlying factors which have limited a producer's flexibility to make cropping decisions based on sound cultural practices for his farm, or to respond to reduced supply levels for a particular commodity. Whether intended or not, the 1985 Act has provided for the USDA to become the major determining factor in setting the price for our commodities in the marketplace. Commodity certificates, CCC sales catalogs, direct export subsidies, release of farmer owned reserves, etc., has played a very significant role in affecting the market prices. Through these programs, CCC has in the last three years dumped nearly 4 billion bushels of corn, wheat and soybeans into the market. You don't do that without negatively affecting market prices and defeating the purpose of the program!

The second strong influence against flexibility is the relationship of price support or income support levels between the various commodities. The rule of thumb for years has been soybeans should be 2½ times the price of corn. Price support for soybeans today is only a little over 1½ times the income support level for corn. We believe that is the major factor that soybean production in the corn belt and many areas of the Southeast has declined in recent years. Oats is another commodity that is out of line in price relationship. Today we are importing oats from Europe as well as Canada.

As a first step we would recommend that your committees request the USDA to conduct a review of the relative price support relationship between soybeans and other program crops and to require appropriate adjustments. For example, under current law, USDA is required to set support levels for feed grain crops other than corn at their relative value to corn.

As long as we are dependent on program payments for our crop income, and the relative relationship between the support level for the various commodities is out of line, it will continue to affect our flexibility in making planting decisions.

We do not feel that the "triple base" theory or other complicated base substitution schemes will really address these underlying problems.

NFO proposes that acreage bases and program yields be eliminated and/or converted to a farm bushel or poundage base. Price support loans or other program benefits should then be limited to the established bushel or poundage base for the farm. The farm production base could then be adjusted up or down from one year to another, based on a national production goal for each of the various commodities. Production in excess of the established base would be without program benefits but could be sold into the open market. You may provide that a farm's excess production could be carried over to the next year and be eligible for price support in the event of under-production in the subsequent year.

We believe there are many advantages to this approach over the current base acreage provisions. First, it would provide much greater planting flexibility, since a producer would not have the concern over base preservation, and a farm's program benefits would not be measured by the number of acres planted. Favorable environmental impacts would be significant, since there would no longer be such a strong incentive to increase acreage yields through heavy chemical application. Budget exposure and program costs would be reduced by limiting payments and price support loans to the bushel or poundage base for the farm. Last but not least is the simplicity of this approach, compared to a complicated scheme of juggling base acreages and keeping records of the various commodity bases. This system would be much better understood by producers and could easily be administered by ASCS.

We feel simplicity is needed to have a successful program. Setaside, conserving acres, commodity certs, acreage reporting, certifying acres planted and other paperwork make the present program less than ideal and discourages participation.

Let me quickly make a couple of other related points. We are convinced that it will be necessary for Congress to design the next farm program to operate at a much lower cost to the U.S. taxpayer. This can be done beneficially for both the farmer and consumer if Congress adopts a program which emphasizes price support, and production levels that match worldwide demand. Exports, important as they may be, account for only one third of U.S. production and they are not valuable to farmers and ranchers if they must be sold at levels below the producer's costs of production. The National Farmers Organization specifically called for the development of international trade agreements with other major producing nations on a commodity basis as an alternative to one single GATT agreement on agriculture and all other foreign trade. American farmers must receive a fair price for their products, both domestically and abroad.

Just let me take a moment to address the subject of checkoffs. The National Farmers Organization strongly opposes checkoffs unless; number one, they are made voluntary and number two, the people and segments of the agri-business community that benefit from a check-off share in the cost. We will address this subject in a later statement.

In closing, let me assure you of our support for a stronger farm program in 1991. We believe the suggestions we have outlined here today will go far in attaining this goal. Flexibility in allowing us to produce for the marketplace; simplicity so that we all can readily understand and is easy to administer; and above all fairness are necessary ingredients for the 1990 farm bill. We want fair and equitable farm legislation based on fair trade, not free trade, for America's farm families. Our farmers cannot pay high taxes, interest, labor charges and the costs of other inputs when placed in uncontrolled competition with new land and cheap labor in other countries. The U.S. is now down to 700,000 full-time farmers and ranchers in this country. We have lost enough in the name of exports.

Again we want to thank the Chairman and the members of your subcommittee for this opportunity to appear before you today.

Joe Hibschman

The Indiana State Grange believes the Food and Agriculture Security Act of 1985 is basically meeting it's primary objective of,

1) becoming more competitive in world markets in an effort to increase agricultural exports and

2) maintaining farm income during the transition toward a more market oriented farm policy. However there are some changes we would like to see implemented especially in the dairy program.

The Indiana State Grange urges the ASCS to change the base yield on program crops to be in closer relationship with the actual yields which farmers attain. New technology and improved hybrids have increased yields while the ASCS has froze the base. The yield base is not consistant from farm to farm as some farmers accepted the yields given to them and others would appeal for a larger yield. Those farmers who accepted their yields are now being jeopordized when they receive their deficiency payments.

Another area Indiana farmers would like to see changed is for substitute or specialty crops to be grown on base acres without losing your base for that crop. This would allow for more rotation and less chemicals and insecticides would need to be used which would help aleviate ground water contamination.

Presently farmers feel they need to continue with the same crop or they'll lose a percentage of their base.

The Indiana State Grange also seeks for the Swampbuster Act to be revised so the ASCS and SCS can allow for small wet areas (1-2 acres) in fields to be drained so that they are more efficient and economical to farms with the larger equipment which todays agriculture necessitates.

Dairy Program: The dairy diversion and the whole herd buy-out programs appears to have been only a band-aid remedies for the milk surplus problem. There is a growing interest not only in Indiana but across the nation for a milk quota system. Presently if I cut back production and others don't the support price will drop and I'll lose not only the cut in production but will also get less for what I produce. That is no incentive to cut production. As the support price continues to be cut more family farms will be forced out of the business. With a quota or base/ surplus we'd know what we could produce and still receive a profitable margin for it.

The Canadian Government has had the quota system for over 20 years and it has served them well. Several European contries also have followed the Canadian system. It not only assures the dairyman of a profit but also assures the consumer of a stable supply of milk.

We also feel it is time to price milk on a solid or protein content instead of butterfat as it is presently done. The consumer is very diet conscious and protein or solids content would be more appealing than fat.

The Indiana State Grange appreciates and commends the House Agriculture Subcommittee on Wheat, Soybeans, and Feed Grains for their interest and concern for Indiana Agriculture.

Respectfully,
Joe Hibschman
Joe Hibschman
Indiana State Grange

INDIANA
FARMERS
UNION
3901 W. 86th Street, Suite 300
Indianapolis, Indiana 46268
(317) 872-9991

Columbia City, Indiana - August 8, 1989

Statement to: The U.S. House Agriculture SubCommittee on Wheat, Soybeans and Feed Grains

By: William Basting, president Allen County Farmers Union

Good afternoon- I am William Basting, a Professional Farmer, County President of the Allen County Farmers Union and a member of the Board Of Directors Of The Indiana Farmers Union. I would like to thank you for this time to give my brief testimony on the 1990 Farm Bill.

A great many family farms all across this country, are watching you with much anxiety. A good Farm Bill could keep a great number of these farms in business. A bad farm bill would spell the demise to many of these same farms.

A new Farm Bill in 1990, MUST, I repeat must, be taylored to guarantee the sustainabilty of the family farm, our nation's largest industry. You must understand that our whole national economy is tied directly to the farm economy. All forms of industry suffer when farmers can't buy. The domino effect comes to play here if it apply's anywhere.

I think it is fitting and proper to critize several former Congresses and Administrations for what they have done to farmers by continually forcing commodity prices lower, while the rest of our economy continued on the inflation spiral. In recent years Congress has been too much "under the influence" of the grain traders, chemical manufacturers and others whose only concern is continuing a huge volume of agriculture production. Their lobbying efforts are in the best interest of their business -- but we farmers are the ones who take the brunt of it. It was simply planned "economic starvation" -- and not inefficiency -- that forced hundreds of thousands of farmers off the land in recent years.

Our U.S. "low price" grain policy has also made us the enemy in the eyes of millions of farmers in many other countries throughout the world. They simply do not understand why we have an agriculture policy that keeps lowering world market prices. And ladies & gentelmen --- neither do I understand it. I urge you to finally consider the producer at the top of your list and see that he is able to receive a fair return on his labor and investment. Don't worry about the agri-businesses so much. They have the "trickle up" theory and they know how to use it.

Please be reminded also that in the long run, livestock prices are influenced by grain prices. Cheap grain causes increased livestock production -- then down the road, lower prices and letters of complaint coming to your offices from those producers.

National Farmers Union and most professional family farms ask for a simplified and more direct farm bill that returns to the goal of assuring a resonable livelihood by providing price and income protection to assure the family farmer an income level that compete's with other professional peers.

Points that need to be changed or inserted into a new farm bill are:

WHEAT AND FEED GRAINS
Bases need be established by units of prduction sufficient to meet our domestic, export and reserve needs. Farmer owned reserves should be used to prevent shortages.

On farm storage of grain should be paid at the same rate as commercial storage.

Loan rates need to be raised to a profitable level.

The Findley Provisions need to be repealed.

A catastophic loss pool must be formulated.

Allow producers time to prove actual yields.

Environmental issues must also be addressed.
CPR could be used as a last resort for land on which the soil type is too sandy to allow any type of chemical use without leaching into ground water.
Most of us realize the severe problem that prolonged chemical use can cause to groundwater, and to some or all types of soil.

We realize there are many more votes in the non farm sector, than in the farm sector; but we would rather have this problem addressed and worked into a farm bill, than to have tough restrictions placed on us because of the increased pressure put on Congress by special interest and environmental groups.

DAIRY AND LIVESTOCK
The support price program should reflect a two-tiered approach.
Milk marketing orders should be updated by consolidating them to the extent it would improve producer income and market administration and by replacing the current system using multiple basing points and component pricing.
We must also review the idea of surplus dairy products.
The Packers and Stockyards Act should be reviewed to protect all livestock producers from unfair competition and monopolistic practices by strenghening enforcement provisions.

Producers have no control over the price of their product, they are at the mercy of:

Weather
Government Policy
Chicago Board Of Trade

Farm votes will hold you accountable for what you give them in a farm bill.

I ask of you, is there a choice but to form a workable farm bill, that will give farmers a chance to make a profit? Many farms will depend on a solid farm program to survive in the 1990's.

Taxpayers need to be better educated as to the primary purpose and value of farm programs. They do not understand that no other industry or business in this country could stay in business very long, if they were forced to use the same type of "auction hammer" market system that agriculture is forced to use. This market system must have a floor installed by a farm program. And this floor should not be less than the total cost of production, plus a resonable US profit. The average non-farm taxpayer understands that his paycheck is not subject to the whims of "traders and gamblers" -- and therefore can understand that farmers should not have to put up with such a system in order to receive fair and just prices.

Simplify and strengthen the farm programs, but do not eliminate them.

In closing, I ask that you give deep thought to what the 1990 Farm Bill will do to, and also can do for the family farm. We can not afford to lose any more family farms.

Thank You, I would be happy to answer any questions you may have.

INDIANA CORN GROWERS ASSOCIATION
8770 GUION ROAD, SUITE A • INDIANAPOLIS, INDIANA 46268
TELEPHONE: 317-876-9311

STATEMENT

by

JOHN NIDLINGER

DISTRICT DIRECTOR

INDIANA CORN GROWERS ASSOCIATION

before the

COMMITTEE ON AGRICULTURE

U.S. HOUSE OF REPRESENTATIVES

on

August 8, 1989

Columbia City, Indiana

Good afternoon, I am John Nidlinger, a corn, soybean and hog farmer from Decatur, Indiana. I serve as a director on the state board of the Indiana Corn Growers Association. Thank you for this opportunity to appear before you and share some issues of critical importance to corn growers that will be debated as you develop a successor to the 1985 Food Security Act.

We must all be very cognizant of the fact that what we are discussing today is not the next Farm Bill, but a Food Security Act. The Indiana Corn Growers Association recognizes that while domestic farm policy is extremely important to the prosperity of the farm sector, farmers must be ready and willing to address issues other than target prices, export programs, etc.

Within this framework, I will offer our organization's views in three major areas. These are:

1. Conservation Reserve Program
2. Crop Insurance versus Disaster Assistance
3. Environmental Issues

The Food Security Act of 1985 was flexible and adaptable enough to address the mounting grain stocks that plagued both the marketplace and the federal budget. One key component of the act was the creation of the Conservation Reserve Program. While the CRP was very successful, it needed to go farther and faster. The CRP should be continued and possibly expanded.

The program's acreage should be accepted more quickly so that we don't continue to pay crop deficiency payments on cropland that will eventually be bid into the CRP program in a few years. We encourage the USDA to investigate the possible extension of CRP contracts for an additional 5-10 years, as land that has been planted to trees will not become productive in the initial ten-year time frame.

We encourage the development of filter strips adjacent to environmentally fragile sites in addition to waterways, and allow these strips to be bid into an expanded CRP. These should be brought in under a new provision and not at the exclusion of cropland destined for the original CRP acreage targets.

The last two years have stirred a controversy in the crop insurance arena. The ICGA believes there is a need for "insurance" of some type. However, farmers will not purchase Federal Crop Insurance if they are confident that the federal government will step in to provide disaster assistance, in a real emergency. A level of consistency must be established and maintained. Either we should have available, workable and affordable crop insurance or we should discard this program and plan on disaster relief. To continue both is not fiscally responsible. One important component of a good crop insurance program is that, similar to auto insurance, premium rates should be based upon insurance and crop loss history.

Everyone is conscious of the environment, however it has always been in the farmer's best interest to work in partnership with nature, because the land and water are our allies in producing food for a hungry world. There are some suggestions we want to offer to improve this partnership. First, there is a need to establish guidelines for control of prohibitive noxious weeds, i.e. Canada Thistle and Johnsongrass, on public lands adjacent to primary farming areas.

Secondly, we are concerned that the "stick" approach to weed control on setaside acres has not been effective, therefore we propose a "carrot" incentive approach. By redistributing the amount and timing of deficiency payments, while basing them on the first five months of the marketing year, farmers would receive a portion of their final deficiency payment, for example $10 per acre, only if they control weeds on their setaside acres by the county deadline. If not, then that portion is forfeited to a county fund, administered by the ASCS or SCS, to assist in county-wide weed eradication programs.

One other area that concerns us is the entire LISA, low-input/sustainable agriculture, movement. Many individuals and people are discussing LISA, but an agreed-upon definition is very elusive. The theory behind LISA has always been at the heart of a farmer's management system. Farmers should always be striving to use the least amount of inputs that provide for both the immediate and long-term profitability while conserving our natural resources.

The 1990 Food Security Act is not the place to use the LISA concept as baseline management. We have a responsibility to adequately research this concept one project at a time to determine its benefits. Striking a balance between conservation and profitability is imperative to our food supply. The bottomline is that sustainable agriculture must be profitable.

We are concerned that some environmental groups will be using LISA as leverage to accomplish their goals which are purely detrimental to production agriculture. Ultimately, there are too many hidden agendas under LISA's skirt to know her true intentions.

Thank you for allowing us to share our views with you. We appreciate the interest that you and your colleagues have in knowing the concerns of Indiana corn farmers.

ORAL STATEMENT OF ROGER HADLEY II
AUGUST 8, 1989
BEFORE THE WHEAT, SOYBEANS AND FEED GRAINS SUBCOMMITTE
OF THE
HOUSE COMMITTEE ON AGRICULTURE
COLUMBIA CITY, INDIANA

I'm Roger Hadley, II a soybean farmer from Woodburn. It's an honor to come before you today. Soybean farmers appreciate your coming to the country to meet with those of us who are directly affected by the important decisions you make.

From what I've heard, you were very closely involved in the Disaster Bill just passed by Congress last Friday. While I don't have a serious disaster situation on my farm, I did last year and could next year. Just as farmers in the south and western soybean belt needed assistance this year, I may sometime in the future.

There's a parallel here for the coming Farm Bill. It may be tempting in the Farm Bill debate for one region to turn a deaf ear to the interests of another. Yet the needs of all regions are valid and must be considered. For soybeans, it's important to explore ways in which regional concerns can be addressed in an overall farm program.

The two most important parts of the 1990 Farm Bill for soybean farmers are the domestic farm program and environmental policy.

That's not to say that international trade and research aren't important, because they are. I hope Congress writes a Farm Bill based on what's good policy rather than trying to conform to what might develop through the GATT negotiations underway.

As for the soybean farm program, over the years soybeans have had a nonrecourse loan program. It worked well until foreign production expanded and farm programs started encouraging production of program crops over nonprogram crops. An unanticipated consequence of the 1985 Farm Bill was to skew net returns in favor of program crops away from soybeans and other nonprogram crops. The planting signals sent by each farm program affects the entire crop production mix since most farmers produce several crops.

Simply put, despite the market price, it is more lucrative for me to maximize my production of corn due to the target price return and the need to preserve base rather than plant soybeans. Foreign competitors now enjoy the benefit of a world soybean price supported by our nonrecourse loan, and are expanding soybean production in response to the relatively higher market price for soybeans compared to other feed and food grain crops.

Many farmers would like to get out of "base lock" so that they can plant soybeans without the penalty of losing base. They want to get back in a more balanced crop rotation, which means better weed control, and less use of fertilizer and chemicals.

But many bankers understandably discourage farmers from planting less corn and more soybeans because it would devalue some of their farmland (because of base loss). As I mentioned earlier, the target price for corn also offers a better return than the soybean market price.

Consequently, increased farmer freedom to plant to capture market opportunities and improve agronomic practices is a step in the right direction for soybean policy. However, soybean returns must be somehow brought in balance more consistently with those of other crops.

As for environmental policy, it's true that most farmers will use fewer chemicals if it is to their economic advantage to do so. Many farmers today are experimenting with reduced application rates.

Farmer education about improved production practices with sound use of ag chemicals and other "success stories" will go a long way to encourage farmer concern and action on the environment.

Farmers don't need more regulations, more paperwork, or sanctions resulting from new envrionmental or conservation laws.from environmental policy. Mandatory well-testing, record-keeping, and the like will only create a negative mindset among farmers on the environment.

You have an important job ahead of you in the coming year. The decisions you make will chart the course of U.S. agriculture into the next century. Thanks for coming to Indiana and thanks for the opportunity to be here.

Statement of

Robert Lozier
Warsaw, Indiana

I am Bob Lozier, a farmer from Warsaw, Indiana and a member of the Board of Directors of Associated Milk Producers, Inc. I appreciate this opportunity to comment on the factors to be considered in shaping the 1990 farm bill.

While I do produce grain, my farm operation centers on the dairy enterprise. As a dairyman, I have been concerned that the grain policies of the 1980's have often resulted in market prices at less than the cost of production. This has encouraged livestock production, including an expansion of milk output. This has reduced income to dairy farmers. It has also distorted regional production patterns by reducing feed costs in areas where dairymen purchase most of their feed supplies relative to areas such as our's where we raise a substantial portion of our needs.

While Associated Milk Producers, Inc. does not make specific recommendations on grain policy, we do support the strongest possible grain program as we recognize the need for grain producers to earn a reasonable return on their operations. Many dairymen are grain producers. More importantly, a strong dairy industry can only exist within the framework of a healthy agricultural economy. We do not believe the answer to the dairy farmer's problems can be found in cheap grain.

Looking at the overall agricultural policy picture, we feel the work of the National Commission on Dairy Policy created by Congress as part of the 1985 farm bill provides a sound basis for the 1990 farm bill. Specifically, the Commission called for continuing the purchase-type price support program which has

-over-

served well since 1949. It recommended establishment of some type of index as a means of establishing the price support level. Finally, the Commission recommended providing standby supply management authority as a permanent part of dairy policy. This authority would be used under stated conditions to prevent the buildup of costly, burdensome surplus milk production capacity.

AMPI has long recommended use of supply management as a policy tool which will hold down government costs and improve farm income. The two-tier price program advanced by AMPI can accomplish these goals while avoiding adverse effects on other producers and other problems claimed under past supply management programs.

My name is Mel Egolf. I am a dairy farmer living at R-1, Churubusco, Indiana, in Noble county and I am a delegate of Milk Marketing Inc. MMI is a regional dairy cooperative representing approximately 7,000 dairy producers. We appreciate this opportunity to present this statement on issues that are impacting upon our industry.

As the discussion begins on the 1990 Farm Bill, it is important to note that the dairy industry enters this new legislation process in a vastly different position than it was prior to the formation of the 1985 Farm Bill.

Burgeoning surpluses of dairy products in government storage are gone and along with it the $2 billion price tag of the dairy program.

Milk production and consumption are now in such close balance that virtually no cheese and non fat dry milk — two of three products purchased under the dairy program —have been removed from the market by the USDA this year.

This year's dairy program costs are expected to total $670 million - I think you will agree that's a far cry from the $2.1 billion cost in 1985.

Much of this balance in the market can be attributed to the Dairy Herd Termination Program that was part of the 1985 act.

Frankly, the program worked, cow numbers decreased, milk production dropped, and beef markets were not adversely impacted. The Congressional development and passage of the 1985 farm bill is to be commended. The bill has preformed well.

As we look to the 1990 bill, dairy farmers urge consideration of dairy legislation that will provide long term supply balance and market stability.

The basic frame work around which dairy policy should be developed, in our opinion, has 5 basic parts:

1. The report of the National Commission on Dairy Policy constitutes a workable basis for federal dairy policy in 1990.

2. The current purchase-based price support program should continue to be the basis for providing necessary stability to the dairy industry.

3. Federal dairy policy should be on a more permanent basis to reflect market demand through appropriate signals to producers to adjust production according to the needs of the market. A standby supply adjustment program is a vital part of this objective.

4. Price supports should be adjusted only as necessary to reflect the overall supply-demand balance in the industry. These adjustments should be made on a total milk solids basis and should be maintained within fixed percentage limits of existing support levels and recent average market prices.

5. If dairy support purchases become excessive, on a total solids basis, then the cost of excess removals should be the responsibility of individual producers. This should only be to the extent necessary to offset these excessive program costs. Any deduction from producers should be only on milk marketed in excess of an individual producers allocated share of market requirements.

Dairy producers are also very concerned with the effect of Bovine Somatropin (BST) upon our industry, once it is approved by the FDA. We feel the prudent position is to accept the fact that the product will, at some point in the not too distant future, be approved.

Consumer education on the facts concerning this product is a must. Our industry could suffer significant damage if consumer confidence is eroded because of false information and inaccurate facts.

We feel it is our responsibility as an industry in conjunction with the manufacturers of the product and the federal government to work together on a program to relieve consumer fear of this product.

Finally, we are very concerned about the on-going Uruguay round of negotiations on the General Agreement on Tariffs and Trade, or GATT negotiations.

The U.S. dairy industry has been, and in our opinion, should remain a domestic industry. Because of the nature of our product, very little of it moves in international trading circles. Section 22 of the GATT agreement protects our domestic industry against unwarranted and subsidized intrusion from foreign dairy products. Eliminating this provision of the GATT will devastate our industry and destroy the dairy price support program which serves us well by establishing a floor price for our product.

The dairy price support program cannot function without the Section 22 protections. This factor alone is reason enough to resist any modifications or elimination of this vital piece of national dairy policy.

I want to thank you very much for the opportunity to make this statement and assure you that Milk Marketing Inc. stands ready to discuss with you all of these issues as we proceed in this legislative process.

Thank you.

Testimony Of:

C. Lockwood Marine, Senior Vice-President -- Commodities

Central Soya Company, Inc., Fort Wayne, Indiana

Agricultural Policy for the 1990's

Mr. Chairman, members of the Subcommittee, thank you for this opportunity to comment on the 1990 farm bill. My name is Lockwood Marine, and I am Senior Vice-President -- Commodities for Central Soya which is located near here in Fort Wayne. I also serve as Vice-Chairman of the National Oilseed Processors Association, which represents domestic processors of oilseeds. Your willingness to hold these field hearings is very much appreciated, and I want to especially thank Congresswoman Jill Long, our own 4th District representative to the House, for the invitation to testify.

Central Soya is an international agribusiness company with activities in grain merchandising, oilseed processing, feed manufacturing, edible oil refining, and the production of value-added food products from soybeans. We have oilseed processing plants in Illinois, Indiana, Ohio, Tennessee, Canada, and the Netherlands. We purchase agricultural commodities from local producers and elevators for processing into high-protein meal, vegetable oils, animal feeds, and refined soybean products for human food uses. We are both a customer of, and supplier to, agricultural producers.

American farmers annually cultivate some 370 million acres of crops and utilize another 520 million acres for livestock, generating a combined output valued at $150 billion. To do this, they purchase inputs worth approximately $100 billion from suppliers located throughout rural communities all across the nation.

The storage, handling, processing, packaging, and sale of agricultural commodities once they leave the farm add greatly to the value of the output. Taken together, the entire food system -- from the provision of industrial inputs to farms, farming itself, and on through the processing and marketing of foods -- accounts for one fifth of the annual gross national product of the country and one out of every five jobs in the entire national labor force.

Agricultural exports annually compromise 11 percent of the total national exports and are the largest positive contributor to the nation's trade balance. Farm commodity exports will reach $39 billion this year and will offset all food and agricultural imports by $17 billion.

During the decade of the 1970's, the U.S. almost tripled its exports. Domestic business did well, too, growing by 20 percent. Worldwide demand strength emanated from rapid economic growth (especially in developing countries), a declining dollar, widely available petro-dollar credit, and import needs increased by poor crops, all of which combined to increase world and U.S. prices during much of the decade.

The U.S. captured growing shares of the expanding world trade during this period because of its improved competitiveness. Domestic farm price supports in preceding years had been reduced to levels that did not interfere with market pricing. Market infrastructure already in place was quickly expanded to enable rapid movement of high-quality products from farm to port to purchaser. Prices of U.S. commodities were increasingly attractive as the value of the dollar declined.

As the U.S. agricultural sector entered the 1980's, the big challenge was keeping ahead of demand. Those years were filled with optimism, because we thought the world's demand for grain, oilseeds, and oilseed products would exceed our ability to deliver those products far into the future.

However, the export boom collapsed and demand growth began to decline in the early 1980's. Slower world economic growth, a sharp rise in the value of the dollar, rigid U.S. price supports created to protect against expected continued inflation, and increasing use of unfair trade policies on the part of some competitors combined to reduce U.S. competitiveness and world market shares.

While U.S. export sales were slowing, production continued apace, because the crop-specific income support programs continued to provide incentives for production growth. Growing quantities of commodities could not be sold commercially and had to be added to rapidly expanding stockpiles. To slow the growth in surplus stocks and control program costs, production controls, through acreage reduction programs (ARP's), were instituted.

During this time of constricted world demand, our competitors generally did not build stocks or limit production, and some subsidized exports to maintain volume or to capture growing shares of the world market. By 1985-86, extremely burdensome world grain and oilseed stocks, and the greatly diminished export demand, had forced U.S. agriculture into a deep retrenchment. Economic pressures on the sector were lessened by the short crops of 1983-84, but were renewed again by good weather and high yields through the mid 1980's. The experiences of the early 1980's had made clear our dependence on world markets and the need to modify the policy of relying heavily on support prices and production controls if U.S. products were to be competitive.

The new authorities of the 1985 Food Security Act (FSA), combined with a somewhat stronger world economy and a substantially weaker U.S. dollar, served to significantly change the outlook for U.S. agriculture after 1986. Three new programs have been especially important: 1) marketing loans for cotton and rice; 2) the use of generic certificates, together with lower feed grain and food grain loan rates; and 3) the use of EEP to increase wheat sales, together with lower wheat loan rates.

In this economic setting, U.S. commodities have become much more competitive on world markets, and some market shares have been reclaimed. On the supply side, very attractive income support programs and the large Conservation Reserve Program enticed farmers to idle 78.4 million acres of cropland in 1988 and to reduce area harvested for the eight program crops from 280 million acres in 1985 to 241 million acres in 1988, a decline of 40 million acres or 14 percent.

The new lower prices, together with a lower-valued dollar, increased not only exports but also domestic use of food grains, feed grains, and cotton. U.S. stocks of the major grains and oilseeds declined steadily beginning in 1986-87.

While the FSA generally is given high marks for helping to bring the sector into closer balance, there are some negative aspects of the law that have become evident. The total commodity program cost reached a record of almost $26 billion in FY 1986. These costs have since declined sharply, a trend accelerated by the 1988 drought which moved large amounts of CCC feed grain and wheat stocks into commercial use. For FY 1989, CCC program costs are projected to be about $9.3 billion, down $16.5 billion from their 1986 peak. Although costs of the FSA are declining, the five-year average will still far exceed costs of previous farm laws.

Perhaps its most basic shortcoming, however, is the inherent inflexibility in its structure which can cause it to operate in a contradictory fashion. Specifically, the programs seriously reduce both farmers' incentives to respond to market signals and their ability to switch from a surplus commodity to another in relatively short supply. The deficiency payments provide continued incentive to produce a crop already in surplus, even when ARP's are being used to limit its production and the market is signaling that another crop is in short supply.

The major example of this inflexibility is the current competition be-between soybeans and corn. In response to the target price and other program incentives and to protect their feed grain acreage base, farmers continue to produce corn rather than shift to soybeans or other oilseeds which are in relatively shorter supply, because producers who shift lose program base acres and eligibility for future income support programs. Both the level and certainty of target price payments make it unattractive for producers to shift out of the programs even when current prospects are for strong market prices. In the absence of deficiency program payments for corn, economic incentives would lead producers to shift from corn to soybeans at soybean/corn price ratios of about 2.5, depending on yields, prices, and production costs. In recent years, the sector has been unresponsive to the market outlook even at much higher soybean/corn ratios.

As the feed grain program incentives (and relatively weaker soybean prices) increased the attractiveness for corn production on corn/soybean farms, soybean acreage has declined in the U.S. while increasing in competing countries. Since 1981-82, Argentina and Brazil have increased area 60 percent and production 57 percent to 29.5 m.m.t., while U.S. area and production have declined.

Over the past 10 years, the U.S. oilseed processing industry has experienced the closing of 21 processing plants nationwide, falling exports of our products, and a severe erosion in our competitive position. Since 1979, when the U.S. planted 71 million acres of soybeans and exported 35.5 million tons of soybeans and products, we have seen our production shrink to just over 58 million acres last year and exports of soybeans and products fall to only 23 million tons.

While world demand for oilseed products continues to grow at a stable rate of 4 percent per year, the U.S. share of that growing market continues to free fall and is being replaced by our South American and EC competitors.

There are **two primary factors** responsible for this decline: one is **our domestic farm programs**, and the other is the production and export **practices of our competitors.**

As you develop the 1990 farm bill, genuine and effective planting flexibility must be a cornerstone of your efforts. It should be the goal of this committee, as a starting point in developing new farm policy, to return planting decisions to producers and, separately, to determine what additional federal assistance is necessary to maintain a healthy farm sector.

I suggest that you review options that allow planting decisions to be made independent of program benefits. A concept similar to the Normal Crop Acres Provisions of the programs of the 1970's is certainly worthy of consideration. We can no longer afford to adopt domestic programs that restrict or compromise the ability of our agricultural sectors to compete.

Congress should closely reexamine the role of acreage reduction programs. Reliance on acreage reduction as a budget and supply control mechanism ignores the global market in which we compete. Restricting supply at home, in the absence of heavy import and export restrictions, cannot and will not create a sound farm economy by isolating U.S. agriculture from our competition. Our prices at home will not be determined in a vacuum and, as you well know, our programs have directly encouraged production by our competitors in a number of commodities, while at the same time hindering U.S. competitiveness.

Unlike the situation we faced in 1981 and 1985 when farm programs encouraged production in excess of demand and threatened fragile soils and important environmental resources, our base formulas along with the conservation programs now in place, including the Conservation Reserve and Conservation Compliance Programs, will provide lasting and meaningful limits on unwarranted and uneconomical production, thereby safeguarding these resources from the incentives of the farm programs. With this in mind, we should now release our productive resources into production in a manner that will benefit our producers and our economy.

If we believe the health of our farm economy is directly linked to our success in international markets, then we must design programs that improve and enhance our hand. We must send a signal to the world that American agriculture is here to stay and that we will meet competition, fair or otherwise, toe to toe.

But, beyond the narrow technical suggestions I have made today about our current farm program, let me emphasize my concern, and the concern of the industry I represent, over the massize direct role the federal government now plays in U.S. agriculture. Today, as in no other U.S. industry of which I am aware, the decisions of what to produce, where to produce, the prices of our commodities, the income of our producers, and the level of our exports are made in Washington.

This state of affairs -- a sad state of affairs in my opinion -- is ironic in many ways. U.S. agriculture, of all our industries, enjoys the advantage of the world's best technology, its most highly educated and skilled producers, and natural resources unmatched around the globe. In addition, U.S. farmers (of which I am one) have traditionally scorned the heavy role of the federal government in their day-to-day operations -- and rightfully so.

It is disturbing, therefore, that today we find literally every detail of agricultural decision-making influenced by federal programs, policies, and regulations. This situation is not only in conflict with the economic interest of U.S. agriculture, it is bad economics.

Next year, as our farm programs are reviewed and reauthorized, I challenge you as leaders in this area to look for ways to dramatically reduce the influence of the federal government on agriculture. Certainly, there is much to be accomplished that only government can handle, including export assistance, food and nutritional aid, trade reform, protecting our environment and guarding the safety of our consumers, and providing meaningful assistance in important areas of research. These matters deserve and demand a role for the federal government. Making planting and farm management decisions is better left to farm producers.

Mr. Chairman, members of the Subcommittee -- again, thank you for this opportunity to comment on this most important matter, and I look forward to working with you in the months to come.

Thank you.

STATEMENT

of

Vernon E. Shupe

THE 1990 FARM BILL

I AM VERNON E. SHUPE, MANAGER OF THE FARMERS ELEVATOR COMPANY WITH LOCATIONS AT SOUTH WHITLEY AND RABER IN WHITLEY COUNTY, INDIANA. THE ELEVATORS ARE COOPERATIVE OWNED BY THE FARMERS IN THE SURROUNDING AREA AND THE COMPANY IS A MAJOR GRAIN MERCHANDISER, FERTILIZER, FEED AND AGRICULTURE CHEMICAL DEALER WITHIN THE COUNTY.

I THANK YOU FOR THE INVITATION TO SPEAK TO YOU TODAY CONCERNING THE WRITING OF THE 1990 FARM BILL. TODAY I WOULD LIKE TO SPEAK TO YOU CONCERNING A PROVISION IN THE PAST FARM BILL WHICH HAS CAUSED A NEGATIVE FINANCIAL IMPACT ON THE AGRICULTURE BUSINESSES WITHIN WHITLEY COUNTY, INDIANA. THE PROVISION THAT I WANT TO SPEAK TO YOU ABOUT IS THE CONSERVATION RESERVE PROGRAM (CRP) WHEREBY A FARMER IS PAID FOR REMOVING HIS LAND FROM CROP PRODUCTION FOR A PERIOD OF TEN YEARS.

THE SALES AND INCOME OF AGRI-BUSINESS IS BASED ON THE SALES OF FERTILIZER, SEED AND AGRICULTURE CHEMICALS, TO PRODUCE AN AGRICULTURE CROP. AGRI-BUSINESS ALSO BENEFITS WHEN THESE CROPS ARE SOLD FROM THESE PRODUCING ACRES.

IN THE PAST AGRI-BUSINESS FIRMS HAVE INVESTED LARGE SUMS OF MONEY FOR EQUIPMENT AND STORAGE FACILITIES TO SERVICE THE NEEDS OF FARMERS WHO USE THEIR LAND FOR THE PURPOSE OF PRODUCING A GRAIN CROP. WHEN FARMERS ENROLL THEIR LAND IN THE CRP PROGRAM THESE FACILITIES AREN'T NEEDED.

I'M NOT HERE TODAY TO TELL YOU THAT THE CRP PROGRAM IS A BAD

PROGRAM; I AM HERE TO POINT OUT THAT THE PROGRAM HAS MADE IT ATTRACTIVE TO IDLE CERTAIN TYPES OF LAND AND WHITLEY COUNTY HAS AN ABUNDANCE OF THIS LAND. IT IS MY UNDERSTANDING THAT SOME COUNTIES IN INDIANA HAVE VERY LITTLE ACREAGE ENROLLED IN THE CRP PROGRAM WHILE OTHER COUNTIES HAVE IN EXCESS OF 10% OF TILLABLE ACRES ENROLLED.

BEFORE CRP WHITLEY COUNTY HAD:		
	160,000	TILLABLE ACRES
	57,000	CORN BASE ACRES
	23,000	WHEAT BASE ACRES

WHITLEY COUNTY HAS 18,642 ACRES ENROLLED IN THE CRP PROGRAM; WHICH HAS REDUCED THE CORN BASE ACREAGE BY 5,800 ACRES. IF WE PUT SOME CROP ACREAGE TO THE ACRES REDUCED BY CRP; WHITLEY COUNTY HAS REDUCED CORN ACRES BY 5,800 ACRES, SOYBEAN ACREAGE BY 8,000 ACRES, WHEAT ACREAGE BY 3,000 ACRES AND 1,800 ACRES OF MISCELLANEOUS CROPS. IF WE USE AVERAGE YIELDS ON THESE ACRES LOST TO CRP IT COULD BE ESTIMATED THAT WHITLEY COUNTY HAS LOST IN EXCESS OF ONE MILLION BUSHELS OF GRAIN PRODUCTION POTENTIAL. IN ADDITION TO THE REDUCTION IN BUSHELS OF GRAIN, INPUTS TO PRODUCE THESE BUSHELS HAVE BEEN LOST. THE INPUTS TO PRODUCE THESE BUSHELS WOULD REQUIRE APPROXIMATELY 2,500 TONS OF FERTILIZER, 16,000 BAGS OF SEED, AND $325,000. 00 OF AGRICULTURE CHEMICALS.

SINCE WHITLEY COUNTY, INDIANA HAS THE SECOND LARGEST ACREAGE ENROLLED IN THE CRP PROGRAM IN INDIANA I WOULD LIKE TO SUGGEST THAT THE 1990 FARM BILL CONTAIN SOMETHING THAT WOULD STOP THE FINANCIAL IMPACT OF THIS PROGRAM ON AGRI-BUSINESS IN WHITLEY COUNTY, INDIANA.

I THANK YOU FOR THIS OPPORTUNITY TO SPEAK WITH YOU AND WOULD BE PLEASED TO ANSWER ANY QUESTIONS.

August 8, 1989

The Honorable Jill Long:
The Honorable Jim Jontz:
The Honorable Dan Glickman:

Thank you for the opportunity to meet and share your time to consider the issues facing agriculture and the agricultural support industry. Hopefully we can work together to direct America back to a course of being production minded, based on best management practices, rather than implementing production controls that thwart the world's most efficient food producer: American Agriculture.

The 1985 Farm Bill has served its purpose well. Now let's consider what would be appropriate for 1990 and beyond.

The 1985 bill was badly needed as farmer debt got out of control going from the booming '70's into the busting '80's. The American farmer asked for and got badly needed assistance.

From the viewpoint of the fertilizer industry, several other questions remain:

1. Can the farm programs our customers depend on be maintained in the face of the federal budget deficit?
2. How do we all stay in business and yet protect groundwater quality?
3. How do we continue to be the world's lowest cost producer and still keep several environmental issues in balance?
4. Who is liable when a chemical applied on a farm shows up in groundwater?
5. How does an independent dealer survive, in a climate that demands high expenditures along with deep pockets to fund, with little financial return?
6. Where do we continue to get funds to get through the "bad" times, especially when a fertilizer dealer loan seems to be on the endangered species list?

I would like to draw your attention to the fact that while government subsidies have helped to fund the American farmer, they have done little to help the agricultural support industry, which is a very integral part of the agriculture industry.

We have dealt with PIK, 0-92, two years of 35 percent set-a-side, one year of 20 percent set-a-side, the worst drought in history, and in northeast Indiana, one of the worst springs in history.

It all totals up to a dramatic reduction in sales and a lot of red ink for not one, but several years. We too are caught in this squeeze and we too need assistance.

I believe the farmer needs and wants the dealer network to continue to assist him with the issues at hand, such as: groundwater and its quality, using fertilizer and chemicals wisely (not over-use, but only as needed), budget planning, application of their fertilizer and chemicals (a bigger issue than we think), extensive soil testing along with farm history's, mapping of fields, and so on.

With all the other issues facing the fertilizer dealer at the same time, it will take not only a commitment to agriculture, but also profitability (something that's been missing, due to major cut-backs of farmer spending on his controlled amount of acreage).

I would like to try and offer some answers to the six questions asked previously in this letter.

QUESTION 1: Can the farm programs our customers depend on be maintained in the face of the federal budget deficit?

ANSWER: No, not long term. The cost is too high and the teaching concept is poor. We cannot train people to do less and get paid more for doing it. I believe the agricultural industry needs to be compensated in a different way. We need to be rewarded for being the lowest cost producer in the world in order to keep the cost of food down and at the same time be able to compete in the world market. For every acre we take out of production, someone, somewhere, is clearing off forests and putting two acres back into production. Why?

QUESTION 1: How do we all stay in business and yet protect our most precious resource, groundwater?

ANSWER: I do not believe LISA is the answer. There are too many unproven concepts in it and we'll dramatically increase food costs as well as cripple agricultural support industry. I do believe there are parts of it that are viable and will work through what we call best management practices or BMPs (See attached sheet).

QUESTION 3: How do we continue to be the world's lowest cost producers and, at the same time, keep in balance several environmental issues?

ANSWER: This is a tough one, but I seriously believe in and am dedicated to doing exactly that. How, you ask? Once again, through the use of BMPs, farmer and dealer education on stewardship of soil, and by giving our industry more input on recommendations and application of pesticides. You might say that it would be like letting the fox guard the chicken house, but remember, we have extensive training and we are the professionals in this area. Give us a chance.

QUESTION 4: Who is liable when a chemical applied by a farmer shows up in groundwater?

ANSWER: This question is tough to answer, because it is hard to prove who is responsible. For example: We had every well tested for nitrates and seven known carcinogens, and nothing was found to be in excess of the lifetime advisory levels. So if our neighbor's well is found contaminated, who did it? I believe the only answer is two-fold.

A. Start promoting groundwater safety by helping fund the dealer network, through tax incentives, to be in compliance with upcoming regulations and help educate the general public and farming industry.

B. Start a pesticide superfund to be paid for by pesticide producers, based on dealer sales, to clean up spills.

QUESTIONS 5 & 6: How does an independent dealer survive in a climate that demands large cash outlays to fund environmental issues with little or no financial return. Where and how do we get funds needed to get through the "bad" times and stay in compliance with state and federal mandates?

ANSWER: I believe that some government assistance is needed either on the state or federal level, to make available low interest loans in order to keep independent dealers viable and functioning.

The monetary demand comes at a time when our retained earnings have been sorely tested and profits needed for diking, fencing, education, insurance, rinsate pads (all with no financial return), have not been there.

Financial assistance is badly needed along with an exemption of sorts on liability or pollution issues.

Our concerns are many, but we believe in American agriculture and in keeping our groundwater safe to drink by doing what we can to police the industry even before we have to.

In summary, I would like to say that although we believe in and support parts of LISA, we also believe they have limits to their claims. For example: A study from the Iowa state center for agriculture and rural development estimated a 75 percent decrease in supplies of corn and wheat with a switch to low input systems, and the CAST (Council for Agricultural Science and Technology), predicted a decrease of 25 percent in crop yields for current grain/ livestock farmers switching to low input systems, much greater if cash grain farmers converted to low input systems. When you consider food producers must increase 2 percent annually just to maintain world diets of a growing population (six billion by 2000) low input systems cannot be sustainable!

I believe American agriculture must begin to rebuild in two ways: 1. Find a way to compete vigorously in world markets to encourage consumption and discourage competition or retreat into self-sufficiency, thereby, giving up the incentive generated by farm exports in the past. 2. Achieve renegotiation of the GATT farm trade rules to enhance our position to be more flexible in production and to be able to plant more of what we can benefit from and to fiercely produce lowest production costs per unit (once again BMPs). Nothing less will stave off our competition.

We have the confidence that with the very able leadership given our country and the blessings of God almighty, we can and will go on.

Sincerely,

Ken Kipfer

Ken Kipfer
President
Riverside Warehouse, Inc.

For more information on this important subject, I have attached the following articles:

1. Do You Know How Good You Are? From Farm Journal, 11/82.
2. LISA Emerges as Complex Agricultural Issue. From Cargill Bulletin, 4/89.
3. Dealer Briefing. From Dealer Progress, 8/89.
4. Best Management Practices: Will They Change Your Business? From Dealer Progress, 8/89.
5. Strong Push for BMPs Must Reach Customer. From Dealer Progress, 8.89.
6. Fertilizing With Reduced Tillage. From Fertilizer Progress, 6/66.

Do you know how good you are?

■ Of all the countries in the world, the U.S. is agriculture's reigning heavyweight champ. There isn't even a close contender. But you may be surprised at just how good you are. Here are facts compiled by Sperry New Holland from USDA data:

- One American farmer grows enough food for 68 people here and abroad. That figure has risen dramatically in this century. Back in 1950, you could feed 16.
- If you were to combine all of the assets of the top 400 U.S. corporations, they wouldn't equal what you have collectively invested in your farming operations.
- With the food that each American farmer harvests, he creates about nine other jobs in related industries. There are 15 to 17 million people who grade, store, process, package, transport, sell and prepare food.
- One third of the United States' total planted acres came from six states in 1981: Iowa, Texas, Illinois, North Dakota, Minnesota and Kansas.
- U.S. agriculture uses 6½ metric tons of steel each year—enough to account for 40,000 jobs in the steel industry.
- With one modern com[illegible] you can harvest enough wheat in nine seconds to make 70 loaves of bread.
- Nonfarmers in the U.S. outnumber you by 37 to 1. You're only about 2.3% of the population. Following World War 1, 30% of Americans farmed for a living.
- One Soviet farm worker produces 33,000 lb. of food crops per year. But the U.S. farmer produces 375,000 lb. each year.
- In one year's time, U.S. farm exports fill more than 1½ million freight cars. Each day, over 10 ships leave U.S. ports to transport food to our overseas customers.
- Every time U.S. farm exports increase $1 billion, 31,700 new jobs are created for Americans.
- About 4 million people are involved in U.S. farming. That's more than the combined total of American steel, oil, electronic and airlines industries.
- In 1900, farmers averaged 110 bu. of corn from four acres. Today, that's your average yield off one acre.

Sperry New Holland has brochures containing these facts and more. For information, write: Reliable American Farmer, Sperry New Holland-215, New Holland, Pa. 17557. ◁

FOOD REMAINS A BAR[illegible] IN THE UNITED STATES

Percent of Population Engaged in Agriculture	U.S. 2.3%	U.S.S.R. 17.3%	JAPAN 11.8%	ENGLAND 2.1%	INDIA 64%	BRAZIL 38.9%	CHINA 60.6%	MEXICO 36.9%	FRANCE 9.1%
Percent Of Disposable Income Spent On Food	14%	34%	23%	19%	59%	41%	60%	40.9%	20%
Food Trade Balance (In Billions $)	+18	-8.1	-13	-.8	+.5	+5	-1.9	+.4	+.1
Minutes Worked To Earn:	U.S.	U.S.S.R.	JAPAN	ENGLAND	INDIA	BRAZIL	CHINA	MEXICO	FRANCE
1 LB. Beef	16	60	174	57	NA	135	455	132	34
1 LB. Bread	4	8	7	4	46	43	NA	52	8
1 Doz. Eggs	6	71	12	16	131	73	205	62	13

Statistics from Agricultural Council of America

JUST LOOK HOW OTHER FARMERS COMPARE with your efficiency. This data from Sperry New Holland, compiled with statistics from the Agricultural Council of America, show that no one holds a candle to your productivity.

Reprinted from April 1989 *Cargill Bulletin*

DOMESTIC MARKETS by Fredric W. (Fritz) Corrigan

LISA Emerges as Complex Agricultural Issue

Environmental issues, particularly groundwater quality, are gaining increased attention and likely will become key agricultural issues in the 1990s.

The search for ways to reconcile traditional goals of enhancing agricultural productivity with rising environmental concern has prompted new interest in a concept that has become known as low-input sustainable agriculture (LISA).

While the concept has come to mean many different things to different interest groups, LISA can be broadly defined as a set of agricultural production systems that seek to maintain productivity and preserve resources through the reduction or elimination of the use of pesticides and chemical fertilizers.

Typical LISA management practices include crop rotations, the use of manures, municipal wastes and other material to supply all or part of a crop's nutrient needs, the biological control of pests, and the substitution of labor for purchased inputs.

On the surface, LISA appeals to a variety of interests. Some environmentalists have embraced LISA as a potential solution to groundwater contamination. Some farm groups view LISA as a means to maintain or boost farm income by reducing purchased inputs and "preserving" agricultural resources. LISA also is gaining the attention of some policymakers who believe such systems are more compatible with alternative farm-policy approaches.

LISA can be broadly defined as a set of agricultural production systems that seek to maintain productivity and preserve resources through the reduction or elimination of the use of pesticides and chemical fertilizers.

The Food Security Act of 1985 authorized the U.S. Department of Agriculture (USDA) to conduct research and education programs in alternative farming systems. Congress initially appropriated $3.9 million to begin the research and education effort. Funding for 1988-89 will total $4.3 million.

LISA projects account for a small percentage of the total USDA research budget — less than one-half of one percent of the $1-billion annual budget. In 1988, USDA funded approximately 50 of 400 proposed projects. Nearly all of the funded projects involved organic farming techniques and demonstrations.

Major questions remain, however, about the effectiveness of LISA systems as a potential solution to an array of agricultural problems ranging from groundwater quality to the financial hardship of highly leveraged farmers. The complexity of these issues is underscored when the ramifications of some proposals being championed under the LISA banner are examined.

Groundwater Quality

Of the critical issues facing agriculture, groundwater contamination is near the top of the list. In particular, nitrate contamination is one groundwater problem, and nitrogen fertilizer is one of a number of sources of nitrate contamination.

LISA advocates believe that the widespread adoption of "low-input" agricultural production systems will reduce the level of nitrates in groundwater. However, most LISA systems are plagued by the same problems as conventional agricultural systems.

For example, some people contend that "organic" sources of nutrients such as manures and legumes are superior and environmentally safer than "inorganic" sources such as commercial fertilizers. In reality, both sources break down into identical chemical forms, and "organic" sources are just as likely to pose threats to the environment as "inorganic" forms.

Most plants use nitrogen in the form of ammonium ions or nitrate ions. A plant cannot distinguish whether a nitrate ion or an ammonium ion is from animal manure, a legume or a commercial fertilizer such as anhydrous ammonia. Both LISA and conventional system proponents misuse the terms organic and inorganic. An organic compound contains carbon. Manure is organic but so is the commercial fertilizer urea. And the nitrogen constituent of both is broken down in the soil into identical inorganic forms.

In addition, the pollution potential from "organic" sources is not necessarily less than from commercial sources. In fact, problems associated with the timing of nutrient availability suggest that "organic" sources may be more difficult to manage in an environmentally sound manner than commercial fertilizers.

For example, the nutrient content of manures generally is low and highly variable due to the type of animal source and differences in weather, handling and storage. As a result, large quantities may have to be applied to meet plant nutrient requirements. Runoff,

(OVER)

- continuing decomposition after plant uptake has stopped and the build up of excessive quantities of trace elements, including heavy metals, can pose threats to the environment.

Sustainability

Critics of conventional agriculture also argue that intensive production, with its reliance on purchased inputs, may not be sustainable in the long run.

The sustainability argument, however, fails to recognize that all crops remove key nutrients from the soil. For a system to be sustainable, these nutrients must be replaced or productivity will decline.

Problems associated with the timing of nutrient availability suggest that "organic" sources may be more difficult to manage in an environmentally sound manner than commercial fertilizers.

Many LISA practices fail to replace key nutrients, particularly phosphorous and potassium, and mine the soil of these nutrients. A practice that does not maintain soil fertility is not sustainable over the long term. Once these nutrients are mined, yields will decline sharply along with farm profits. Conventional agricultural systems rely on frequent soil testing and recommended fertilization rates to maintain nutrient levels.

Moreover, the use of animal manures in a system does not produce a net gain of nutrients. Animal production removes nutrients from the soil. The use of manures simply transfers resources from one soil to another, and any export of animal products from the farm in the form of meat, eggs or dairy products results in soil depletion.

No Quick Fixes

While LISA proponents have correctly identified some of the major problems facing agriculture, widespread acceptance of a goal of reducing or eliminating pesticides and commercial fertilizers — without adequate study of the broader ramifications — has the potential to create a whole host of new problems, both economic and environmental.

Sharply lower fertilizer use eventually will lead to lower yields and lower profits for farmers. Some leading development economists, pointing to the challenge of feeding 6 billion people by the year 2000, suggest that the concept of sustainability must be sufficiently broad to include the enhancement of agricultural productivity in order to meet the demands imposed by both population and income growth.

In addition, many LISA practices raise other management and environmental concerns. Most LISA systems require later planting in order to control weeds mechanically and to lessen the need for pesticides. Delayed planting reduces yields. The mechanical control of weeds requires timeliness of cultivation, results in greater soil compaction, raises the potential for soil erosion and increases needed labor, machinery and energy.

Merely advocating a shift from the use of commercial to "organic" fertilizers does not necessarily address the issue of nitrate contamination in groundwater. While commercial fertilizers are one source of nitrate contamination in the United States, manures are a major source of groundwater contamination in the Netherlands.

There are a number of production practices and technologies now being developed that have the potential to more effectively balance environmental concerns with the desire to maintain productivity and profitability.

Some groups, for example, advocate a best management practices approach that includes practices such as mandatory soil testing and application restrictions on some types of soil during certain times of the year as the most efficient way to reduce groundwater contamination resulting from nitrogen fertilizer.

There also are a number of promising new technologies such as point and high pressure injection of fertilizer and variable rate application based on computerized mapping techniques that could become important tools in helping farmers more effectively manage their fertilizer use.

Corrigan is the president of Cargill's Fertilizer Division.

Dealer BRIEFING

by Gary D. Myers

In Congress, leaders in both the House and Senate have introduced legislation, supported by The Fertilizer Institute, which would aim at increasing farmer adoption of best management practices. The purpose of these bills is to minimize agriculture's impact on water quality.

The proposals underscore the importance of well-defined farmer management practices — including everything from cultivation systems and type of product applications to the use of grass waterways and nitrifications inhibitors. The Agriculture Department — not the Environmental Protection Agency — would be the chief coordinator and administrator of the law. It would appoint a special task force to develop agronomic and environmental BMPs, conduct major training programs, and report to Congress on the success of farmer implementation.

While it is gratifying to see congressional leaders stepping forward to offer this legislation, the proposals are far from achieving passage — and best management practice have yet to become household words (such as "low-input/sustainable agriculture"). Gradually, we are seeing farmers and agricultural suppliers step forward to question the misplaced emphasis on slashing inputs rather than improving efficiency and environmental stewardship. Increasingly, universities are reminding the new-style agro-environmentalists that 50 years of research and results won't be pre-empted in favor of "I Love LISA."

...50 years of research won't be pre-empted in favor of "I Love LISA."

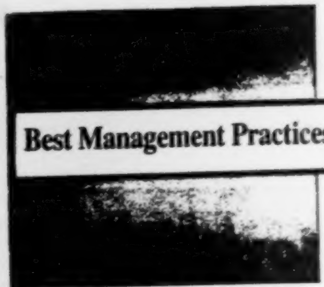
The challenge for everyone involved in agriculture is to elevate the need for BMPs, rather than have the farmer saddled with a new layer of regulation or yet another incentive to choose government support over market efficiency. Best management practices must become the rallying point for everyone concerned about a safeguarded environment, a productive and profitable farming system and an efficient U.S. agriculture.

We have the answers to concerns about groundwater: BMPs. We have the answers to concerns about farmer profitability: BMPs. We have the answers to concerns about sustainability in agriculture: BMPs.

If we hope to shape a 1990 Farm Bill that makes sense for the future of American agriculture, we must all urge that such legislation be built on a solid foundation of best management practices. From that base, we can construct a farm policy and an agriculture that serve farmers, consumers and the environment.

Gary D. Myers

President
The Fertilizer Institute
Washington, D.C.



Best Management Practices: Will They Change Your Business?

by Dr. Leo M. Walsh

We can argue about the need for practical rules and fair standards, we can demand demonstration of effectiveness, we can fight for realistic implementation schedules and we can blow a little smoke. But we can't hide from the fact that agriculture's impacts on the environment will be monitored and controlled as never before. Agriculture increasingly will be held accountable.

USDA's Economic Research Service recently issued a report on costs of groundwater pollution. This report concludes that drinking water for an estimated 50 million people in the United States comes from groundwater that is potentially contaminated by agricultural chemicals. The researchers put first-time monitoring costs of $900 million to $2.2 billion for private wells and $14 million for community groundwater systems.

These and many other estimates of mounting societal costs of agricultural-related water pollution are causing state and federal governments to implement ever stronger "carrot and stick" approaches.

My assessment may be wrong, but I see the stick growing faster than the carrot. At the federal level, environmental interest groups played critical roles in shaping the 1985 farm bill.

In Wisconsin, we passed a groundwater protection bill in 1984 that will lead to a set of strict enforcement standards for various pesticides in groundwater. Different cropping regions in the state will have best management practices prescribed to meet the established standards, and some pesticides in certain cropping areas will likely be banned or highly restricted in their use.

It is unfortunate that the solid research base needed to implement the Wisconsin regulatory program is not in place. Even more unfortunate is the fact that no research money was provided in the bill.

In the recent past, I believe some business and university leaders have resisted environmental considerations too vigorously, believing that farmers themselves found such environmental demands unreasonable. I question whether this assumption was ever true, and know that it does not reflect reality today. Farmers and their families are among groups most dependent upon groundwater for personal use.

Current research indicates that improving the management of nitrogen from fertilizer and non-fertilizer sources is the only realistic approach to minimizing nitrate additions to groundwater from cropland. Before reviewing the basic concepts from which these best management practices are derived, let's look at some "bottom line prospects for meeting nitrogen standards."

We can and must control gross mismanagement of nitrogen application. Assuming that the current nitrate standard of 10 ppm will continue to be used, even in cropping areas "generally considered to be safe," some nitrate leaching will likely occur when nitrogen is applied at efficient and profitable crop production levels.

We will have to work through a period of above-standard nitrate contamination while we flush from the system the excesses of the recent past. Evaluation of improvement will determine if best management practices are adequate to meet current standards.

We must also recognize that intensive agricultural practices are now taking place on some environmentally-fragile soils. There are geologic areas where even diligent application of the best practices and technologies may result in unacceptable groundwater or other environmental deterioration.

Dr. Walsh is dean and director, College of Agricultural and Life Sciences, University of Wisconsin-Madison, Madison, Wis.

Sandy soils in areas of extremely high water tables and shallow soils over badly-fractured bedrock are examples of environmentally-fragile cropping areas, particularly when they are adjacent to urban areas dependent upon groundwater for their water supply.

In those areas, we may be faced with some complex decisions that balance rights of individual farmers to use their lands for certain types of cropping, and the rights of society to protect and manage natural resources, such as groundwater recharge, for the larger public good.

In environmentally-fragile cropping areas, society may have to prescribe less intense cropping practices. For example, it may be necessary to restrict intensive row-cropping to every third or fourth year. Or, drastic restrictions on pesticide and fertilizer use may be mandated. In these situations, it is also reasonable to expect society to "cost-share" on practices that significantly reduce the farmer's net returns.

In other instances, society may place a sufficiently high value on a natural resource, such as groundwater recharge, that all threats to that resource will be eliminated or held to absolute minimum. This could be done through land-use zoning, hopefully with fair compensation to existing land owners for the restricted use. In other instances, governmental units may buy outright the critical land areas.

Here, then, are some management practices that can reduce nitrogen threat to groundwater.

Proper Application Rate

The amount of nitrogen the farmer applies is often the most important factor affecting efficiency of crop use and nitrogen loss to groundwater. Today, economic considerations are of most importance to the farmer in determining optimum application rates. The economic optimum nitrogen rate is achieved when the cost of the last increment of fertilizer added is equal to the value of the increase produced by that nitrogen addition.

This table illustrates the relationship for continuous corn grown in Wisconsin trials.

Farmers, attempting to maximize returns, understandably tend toward the economic optimum. Society, attempting to protect against environmental degradation, understandably tends toward higher

Nitrogen Recovery Trials

Yield, economic return, and recovery of applied N in grain with 40-lb/a increments of fertilizer N applied to continuous corn. Janesville, Wis. 1983-85. 1/

N rate lb/a	Yield bu/a	Value of yield increase	Cost of of N $/a	Return	N recovery %
0	93	—	—	—	—
40	115	44	6	38	45
80	· 131	32	6	26	45
120	138	14	6	8	20
160	144	12	6	6	17
200	145	2	6	-4	0

1/Assumes $0.15/lb for N and $2.00/bu for corn. (Bundy, 1987)

"You're not just selling products... you're selling information."

— *Steve Hess*
Marietta, Illinois

Illinois farmer Steve Hess wants more new ideas on best management practices, and he feels they're not going to come from the government.

"The best thing that we can do as farmers and as a country as a whole is to have less government. Let's allow the free-enterprise system take care of what we need to do," he says.

Noting that there are few management practices that fit a whole farm, much less a whole state, Hess will continue to rely on field research to really test specific practices. This means more and better information from what he reads and who he talks to, including retailers.

"They're not just selling products, they're selling information," he says of fertilizer/ag chemical retailers. "And we have to share a lot more information out here than we have in the past."

"If we as farmers and as an industry don't meet the safety issue head-on — take charge of it...the consumer is going to get right back to us."

"All the practices that they've mandated, we've been doing anyway."

— *Norm Krug*
Chapman, Nebraska

Norm Krug has about as much at stake with best management practices as one could get. All but five of his 1,300 acres are irrigated and he has 28 wells on the land he farms.

"We have a sandy loam, silt loam and in our county, the nitrates are a problem, so we try to spread out our fertilizer when the crop is using it," he says. Krug puts 40 to 50 pounds on pre-emergence, then adds another 50 to 60 pounds at cultivation according to crop need. Additional nitrogen comes from irrigation — it's already in the groundwater. The Natural Resource District checks every well each year. They've also banned a few problem practices in the Platte River Valley, including fall fertilization unless stabilized nitrogen is used.

"These practices are good management practices and they really haven't hurt any farmers, and they've helped a lot" says Krug. "It's much better for us to make these adjustments on our own than to wait for the government to mandate them. All of the practices they've mandated we've been doing anyway. We stopped applying 200 pounds of N ten years ago."

Customers Saying

Will They Change Your Business?

nitrogen recovery rates. If nitrogen regulations become more broadly applied, hopefully those regulations will find an acceptable compromise between the two extremes.

Our table also clearly indicates why environmental interests tend to retreat in the face of commodity scarcity and rising prices. On the other hand, farmers must also consider what happens in the "aggregate" if most producers fertilize to achieve maximum economic return. If individual decisions on maximum economic return result in surplus "aggregate" production, the price of the commodity will fall, and maximum economic return will occur at a lower fertilization rate.

Realistic Yield Goals

Since nitrogen fertilizer recommendations are based on yield goals, unrealistic goals result in inappropriate nitrogen applications. Wisconsin research suggests that yield goals should not be more than 10-20 percent above the recent average yield experience in a particular field. A recent survey of corn producers in Nebraska suggests that farmers tend to be overly optimistic in setting yield goal estimates. In the four year survey of 158 producers, only 10 percent consistently reached their yield goal. Fifty percent attained 80 percent of their yield goal and the remaining farmers fell more than 20 percent below their estimated yield goal.

Soil Organic Matter Estimates

Wisconsin nitrogen fertilizer recommendations are based on soil organic matter content in combination with yield goals. Adjustment of nitrogen rates for soil organic matter reflects nitrogen contributions from organic matter mineralization. Wisconsin corn studies show that yield goals of 141 to 160 bu/A could be achieved with 190 lb N/A when fields had 76 to 100 tons of organic matter per acre. Our research indicates that thumb-rules such as the one that recommends 1.2 lb of N/A for each bushel of yield may not predict accurately optimum nitrogen application rates. Organic matter content must be taken into account if accurate recommendations are to be made.

Credits for Legumes and Manure

Legumes and manure can supply substantial amounts of available nitrogen for crop production, and can contribute substantially to nitrogen leaching if not accounted for in plant recovery rates discussed earlier.

It is worth noting here that one of the sustainable agriculture goals of increasing use of manures and legumes as an organic nitrogen source may not have entirely beneficial results. Certainly, increasing soil organic matter will increase infiltration rates and reduce runoff. But legume residues and manure may also release nitrogren during periods when crops are not actively feeding, thus increasing the likelihood of higher nitrate leaching. These relationships and many others being suggested by sustainable agriculture approaches need for further study.

Nitrate Soil Tests

Recent Wisconsin research (Bundy and Malone, 1988; and Malone, 1986) shows that adjustment of nitrogen fertilizer recommendations for the amount of residual nitrate in soil profiles has potential for improving crop use efficiency and reducing nitrate loss to groundwater. These studies have shown that substantial amounts of nitrate may remain in soil profiles (0-3 ft.) at the end of the growing season if nitrogen application rates exceed crop nitrogen requirements. Both plant tissue analysis and nitrate soil tests show promise in providing guidance to farmers on possible need to sidedress crops to meet nitrogen requirements while avoiding costly and environmentally-damaging overloads.

Continued page 22

"What we are trying to avoid here is wasting inputs..."

— Brian Watkins
Marysville, Ohio

Farmers are doing a better job on the environmental front lately according to Brian Watkins of Marysville, Ohio. And widespread discussion of low-input sustainable agriculture (LISA) may be moving them along.

"Dialogue about LISA is going to be good for me as a farmer if it gets my suppliers to focus even more on the efficient use of my inputs," says Watkins. He feels success can be met in pushing for more environmentally-conscious farming practices if they are tied to the bottom line.

"What we are trying to avoid here is wasting material and if it goes into the environment it's wasted. I think from that standpoint, dealers can really place environmental stewardship hand-in-hand with better farmer profit."

Watkins seems to view it as an opportunity for fertilizer/ag chem dealers, but one that could go unfulfilled.

"In my experience, most of the leadership on environmental quality seems to be coming from farm organizations and the farm media," he says.

"If I ruin my ground water here, then I've got to buy drinking water..."

— Buck Morris
Centreville, Maryland

From his tractor seat while planting corn, Buck Morris can see the tall sails of the pleasure boats on the Chesapeake Bay. He's seen those "Save The Bay" bumper stickers on cars going to the beach, too.

"We're using split application of nitrogen on wheat in the spring and we're sidedressing our nitrogen on corn," Morris says. He feels his use of no-till has probably done as much for the bay (keeping silt out) as anything else, even though it may take a little more postemergence weed control.

"I guess the biggest thing we want from our dealer these days service-wise is to have someone there that's reliable and informed about which chemicals to use and when to use them."

Morris says they now take more care with fertilizer, chemicals, diesel fuel and even gasoline — being careful to spray out rinsate in the field and asking his retailer to take empty chemical jugs back to his plant.

"If I ruin my ground here, then I've got to buy drinking water for who knows how long," he says.

What Are Your Customers Saying?

Strong Push For BMPs Must Reach Customer

by Robert J. Wanzel

There's an old marketing philosophy that says, "about the time you're tired of seeing your new company logo, the customer is just starting to recognize it." That could be what the fertilizer and ag chemical industry, both producers and retailers, are about to experience with best management practices (BMPs).

Leading producers and trade associations have continued to highlight pamphlets, videos and research studies which underscore the importance of thinking in terms of BMPs. Now, according to many industry observers, it's time for the BMP concept to sink in — take off in the minds of the farmer-customer.

That's part of the thinking on Capitol Hill as both the House and Senate begin debating The Agricultural Nitrogen Education & Management Act, (S. 779 and H.R. 2258.) This legislation, if passed into law, would require USDA to encourage farmers to adopt best management practices in using fertilizer, to help prevent and control water pollution.

"The key component of this bill and reason for congressional action," says The Fertilizer Institute's Gary Myers, "is to prevent a strong regulatory bill restricting fertilizer usage."

Conceptually, the term "best management practice" should apply to everything a farmer does. "Unfortunately, not everyone uses the same definition for their BMPs," noted Iowa State Agronomist Randy Killorn in a past issue of ***Dealer* PROGRESS**.

"Soil conservationists are interested in reducing erosion by reducing water runoff, a goal that is not necessarily consistent with reducing the amount of nitrates found in groundwater. Environmentalists are interested in the management of

Continued page 26

Will They Change Your Business?

Continued from page 20

Timing and Placement

Timing and application of nitrogen can be important factors affecting efficiency of crop use and potential N loss to the environment. Literature review shows that fall applications are usually 10 to 15 percent less effective in Wisconsin than the same amount of nitrogen applied in the spring as preplant. Sidedress applications are likely to increase recovery of applied nitrogen and reduce nitrogen loss relative to preplant applications on sandy soils where leaching is high. Wisconsin tests indicate that sidedress applications on medium and fine-textured soils usually do not increase corn yield or recovery of applied nitrogen when compared to spring preplant applications.

Foliar and Irrigation Applications of N

While plant leaves can absorb nitrogen in liquid solution, foliar application is prohibitively expensive, and would damage plant leaves if applied at levels great enough to meet plant needs. Application of nitrogen with irrigation water may be feasible for many irrigated crops, but the practice generally increases leaching losses. However, residual nitrate occuring in irrigation water can sometimes be a significant source of nitrogen and should be credited.

Crop and Variety Selection

Research shows that under some conditions careful selection of corn hybrids for specific fields and yield goals has potential for improving nitrogen use.

Nitrification Inhibitors and Slow Release Forms

Nitrification inhibitors when used with ammonium forms of nitrogen can improve nitrogen efficiency and limit losses in soils where leaching or denitrification potentials are high. Present research shows that improved timing of nitrogen applications is more cost-effective than the use of slow-release forms of nitrogen due to high costs and problems of matching releasing rates of crops needs during the growing season.

Improved Overall Management

Improved calibration of equipment, more even distribution of fertilizer and adjusting application rates within fields are low-cost, existing technologies that can be used to improve nitrogen use efficiency and lessen environmental problems. In addition, sound agronomic practices must be followed to achieve high yields, including, for example, sufficient levels of phosphorus and potassium, and other nutrients; high plant populations; adapted varieties; and weed and insect control.

Tradeoffs in Nitrate and Phosphorus Management

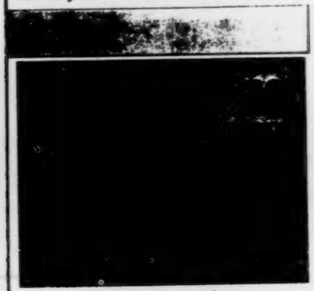
A funny thing happened to us while we were working to reduce surface water pollution and soil erosion. We noticed that in our efforts to hold the soil and water on the land, we were probably increasing water infiltration, and thus, the groundwater pollution that comes with leaching. As of now, this is mostly an untested hypothesis, without a great deal of data to support or refute it.

The key to resolving the tradeoff dilemma between groundwater and surface water pollution may lie in the fine tuning of plant nutrient testing and applications. Prophylactic fertilizer applications not only are uneconomic, they create conditions where management strategies become environmentally competitive rather than complementary. If we solve the runoff problem, we can only avoid the leachate problem by keeping plant nutrient levels at minimums needed for efficient and profitable crop growth. The dilemma may never be resolved if we continue to attack the problem along isolated disciplinary routes. Rather, we need to move to integrated systems approaches that attempt to assess numerous relevant variables in complex, whole-farm models.

If this integrated, agricultural systems approach sounds like an argument in support of sustainable agriculture, I make no apologies. In the water quality area and in many other areas important to farming success, we must do a better job of integrating knowledge, technologies and practices and applying them at the farm level. ■

agricultural chemicals that results in no degradation of our environment, which is not necessarily consistent with the farmer's goal of optimizing profitability," continued Killorn.

The apparent lack of a clearly stated standard definition could be one stumbling block to wide-spread BMP acceptance. "BMPs simply refer to individual inputs or operations carried out in the fashion indicated as most efficient and environmentally sound by scientific research," that's how Dr. Albert E. Ludwick, of the Potash & Phosphate Institute recently defined the term.



"A BMP for one soil type or climate situation may be exactly wrong for another," explains Killorn. "Our job is to correctly identify the problem and then carefully review the best information available to us and finally to implement a BMP that best fits the situation." Many involved in agricultural research are quick to point out that the funding for developing and then indentifying correct BMPs is severely lacking.

Perhaps no state has a more urgent need to implement BMPs than California. An October 1988 directive issued by the Cooperative Extension Service of California ties Proposition 65 compliance directly to using BMPs. This directive states, "Because native and fertilizer nutrients are associated with soil sediments, BMPs achieve the objectives of Proposition 65 in minimizing trace contaminants entering the 'Drinking Waters' of California."

California BMP Guidelines

The California BMP guidelines focus on practices that are generally associated with irrigated land. These guidelines are a starting point for all dealers who want to help their farmer-customers adopt the BMPs that fit specific growing conditions. The California summary and definition of BMPs depends upon a site's soil type, topography, and existing moisture and crop conditions.

A Stewardship "Checkoff"

Check those practices that could help your farmer-customer become better stewards of their land. Some of the following practices apply to run-off while others are intended to manage groundwater contamination.

☐ **Level to grade** to minimize surface run-off while maximizing water infiltration.

☐ **Adjust sprinkler irrigation rates** to maximize water peuetration and minimize run-off.

☐ **Adjust basin size** and irrigation application rates to the infiltration capacities of specific on-farm soil conditions.

☐ **Divert and confine water** from irrigated cropland into sumps equipped with pumpback capabilities.

☐ **Install drip irrigation systems** to precisely apply water and fertilizer and avoid run-off and leaching.

☐ **Use irrigation flow measuring devices.**

☐ **Schedule irrigation applications** as determined by soil moisture content, weather information and crop appearance.

☐ **Rip soils during land preparation** to increase infiltration and reduce run-off on compacted soils.

☐ **Apply furrow irrigations by surge flow or pulse irrigation** to decrease run-off and reduce soil loss from the field.

☐ **Use split application techniques** to increase the efficiency of fertilizer utilization and reduce losses due to leaching and run-off.

☐ **Incorporate fertilizers after application** either mechanically or by irrigating to reduce nutrient losses associated with run-off.

☐ **Equip fertilizer nurse rig transfer hoses with valves** to prevent spillage resulting from drainage.

☐ **Apply animal or other wastes to croplands based on nutrient and metal analysis** to fully understand the total analysis and contribution of the material to the supply of essential plant nutrients.

☐ **Line irrigation ditches with cement or plastic** to increase efficiency and reduce losses due to seepage.

☐ **Upgrade well design** to decrease potential contamination by cascading flows.

☐ **Equip irrigation systems with appropriate antisiphon check valves** to protect against chemical backflow.

☐ **Manage soil pH** to avoid extremes in soil reaction.

☐ **Test irrigation water for inherent nutrient concentration.**

☐ **Sample and analyze soils for residual nutrient concentrations.**

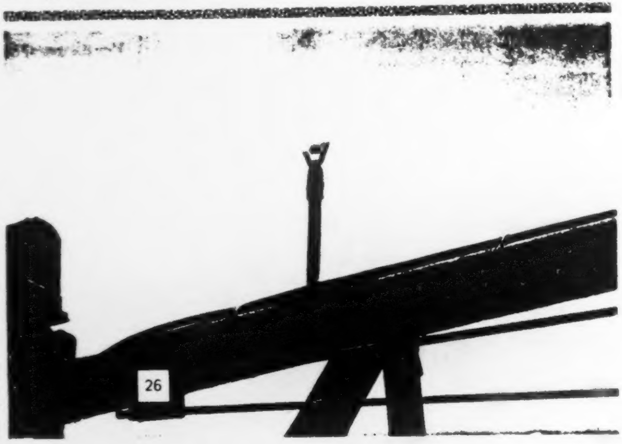
☐ **Sample and analyze plant tissues for nutrient concentrations** before applying inseason and sidedress fertilizers.

☐ **Program fertilizer applications to coincide with intervals of maximum crop nutrient uptake.**

☐ **Calibrate all application equipment.**

☐ **Use deep rooted crops in cropping sequences or rotations to utilize residual nutrients leached below shallow rooted crops.**

☐ **Keep an inventory or account** of nutrients applied to each field.



FERTILIZING
With Reduced Tillage

When Banding Is — And Isn't — The Best Way

by Robert Wayne

There are many ways to apply fertilizer today — broadcast, band, strip, deep band, dual placement, pop-up, dribble, knifed-in — and many forms of tillage. Add to this a great many crops to fertilize and a great many climate areas in the country, and a local dealer or applicator has a difficult time making a specific recommendation.

This article will not be able to give you specific recommendations for your area, but it will attempt to give you some guidelines that are based on research from a large number of universities across the nation.

The basic premise is simple: Plants need an adequate supply of nutrients in the root zone throughout the growing season. To satisfy this premise, you need to answer three basic questions: What is an adequate supply of nutrients? Where is the rooting zone? How much fertilizer is needed in each part of the growing season?

An Analogy

Before dealing specifically with those questions, the following analogy may better help you understand some of the concepts.

If you needed to pick up a million dollar bills in a relatively short period of time, and you had a large number of people to help, you would be able to gather those bills quickly, even if they were scattered across a fairly large area. If you are working alone or have only a couple of helpers, or if for any reason you have to work more slowly than normal, those bills had better be concentrated in a small area or you will not be able to pick them all up in the available time.

There is one further wrinkle: When those bills are scattered across the field, there's a chance they could become soiled and useless to you. Concentrated in piles, there is a better chance that the bills in the center of those piles will be clean and useful, even if those on the outside have become soiled and useless.

Real World

Now think of those dollar bills as plant nutrients, and you and your helpers as plant roots. If the root system is extensive, it can pick up the nutrients even if they are widely scattered. Though, if the root system is small, the nutrients had better be concentrated into a band near the roots, unless the overall fertility of the soil is high.

Even if the fertility is high, soil compaction or cool spring temperatures can stunt or slow root growth, again giving an advantage to nutrients concentrated into a band. And, of course, when nutrients are scattered widely, there is more of a chance that they can become fixed to soil particles and, therefore, unavailable to the crop. When concentrated in a band, more nutrients will be available to the crop, even if some of them are fixed to soil particles, just as the bills were in the center of the piles.

Broadcasting Still Acceptable

Broadcasting was easy with conventional tillage. You spread the fertilizer on the soil surface, then plowed it down. Some will tell you that there is no longer any place for this form of application now that reduced tillage and no-till have come into the picture.

Dr. Gary Hergert, University of Nebraska soil scientist, would not completely agree. If the soils are high in fertility, broadcast applications can often be a good idea if time and labor are limited, he claims.

Broadcasting without subsequent tillage will concentrate relatively immobile nutrients, such as phosphorus and potassium, in the top 4 inches of soil. Is this outside the root zone and, therefore, a waste of these nutrients? Not necessarily, according to some research.

Soils with reduced tillage have a mulch on the surface. This mulch keeps the soil just below the surface moist and encourages root growth there. Dr. Robert G. Hoeft and Dr. Gyles W. Randall at the universities of Illinois and Minnesota, respectively, say the roots in this shallow area can often absorb all the phosphorus and potassium they need for optimum crop growth and yield.

This situation would not be true for arid climates, of course, or in those situations where there is not enough mulch to keep the soil moist at these shallow depths. Soil that is dry on top will force crop roots to grow deep in search of moisture. If the nutrients are near the

(OVER)

surface, however, those roots will never be able to pick them up.

Band Application Advantages Weighed

All the forms of fertilizer application listed in the first sentence of this article (except broadcast) are basically forms of band application. Whether this band is on the surface, with the seed, 2 inches to the side and 2 inches below the seed, or at some other location, it is still a band.

The analogy of the dollar bills hints at some of the advantages of banding. Banding places the nutrients near the roots, concentrates the nutrients so they are less likely to be tied up by the soil or lost in some other way, and makes more nutrients available to a small root system.

Banding has disadvantages, also. Banding is more costly than broadcast application and takes more time, labor and fuel energy. In many cases, these added costs are more than compensated for by the added crop yield.

"Banding has definite yield advantages," says Dr. Joe Touchton, Auburn University soil scientist. "As people move toward no-till, the need for banding increases. There are definite yield advantages in our part of the nation." He further explains that no-till soils in his area tend to be more compact, restricting root growth.

Banding offers similar advantages farther north, also. Soils covered by a mulch tend to warm more slowly in the spring. These cool soils cause roots to grow more slowly, making them less able to absorb as many nutrients. Even if the soil tests show adequate fertility levels, banding sometimes increases yields.

What is true for the North has not necessarily been true elsewhere; banding does not always show a yield response when soil fertility levels are high. Nonetheless, Dr. Gary W. Colliver, Farmland Industries' chief agronomist, says, "When fertilizer is banded, the probability of response is higher at all fertility levels."

Times when banding is likely to help, or not help, yields

SUBJECT	COMMENT	RECOMMENDATION
Soil	Fertility high, no additional problems	Little advantage to banding
	Cool in spring, slowing early root growth	Banding below surface can help even if soil fertility is high
	Compacted soil restricts root growth	Banding below surface puts product in the small root zone
Fertilizer product	If subject to losses from denitrification and volatilization	Inject into soil in a band
	If subject to immobilization within the soil	Banding concentrates product, keeping some of it available
	If not likely to move through soil to crop roots	Inject to put it near crop roots
Crop	Soybean	Broadcast application preferred; usually does not respond to banding
	Corn	Response to banding depends on soil fertility. Banding not likely to increase yields on soils that test medium to high. A 2 × 2 starter will help if soil test levels are low. If precipitation is below normal, banding can outperform broadcast.
	Small grains	Yield responses to banding limited when soil fertility is high. Row and deep banding generally outperform broadcast applications at other fertility levels.

Fertilizer Types and Forms

Spreading fertilizer is not the same as spreading dollar bills. One area where the analogy breaks down is when the product touches the soil. The only thing that can happen to dollar bills is that they might get wet or dirty. Much can happen to fertilizers, depending on which nutrients they contain and the form in which they are applied.

Nitrogen fertilizers might be lost into the atmosphere through volatilization or denitrification. They also might move through the soil to the plant roots, then keep moving below the root zone and wash away in groundwater, or be converted in the soil into forms that are unavailable to the crop.

Phosphorus and potassium are less mobile in the soil. In addition, they can also get tied up in the soil so they are unavailable to the crop. If the nutrients are tied up by the soil, and the soil is eroded away, they can be lost from the crop forever.

Even this quick summary hints that the place, time and method of application can make a difference in crop uptake of nutrients.

INDIANA RURAL ORGANIZING PROJECT
3951 N. MERIDIAN. INDIANAPOLIS. IN 46208 317-921-1120

Before the House Agriculture Sub-Committee on Wheat,
Soybeans, and Feed Grains

Columbia City, Indiana

August 8, 1989

I want to thank you for the opportunity to appear before the subcommittee today. I am Francis Bradley, a lifetime family farmer from Daviess County, Indiana. It has been my privilage to farm the same land as my father, grandfather, and great grandfather. The land originally came into our family in the 1850's. Our farm is truly a family farm as my son and grandsons are joining in the farm operation. My opportunity to care for this land through my lifetime has afforded great personal satisfaction to me and it is my intention that this farm will continue as a family farm.

Webster Craig of Economy, Indiana, also a family farmer, and I are co-chairs of the Indiana Rural Organizing Project. This project is sponsored by the Citizens Action Coalition of Indiana for the purpose of organizing farmers and rural residents around various economic issues and achieving "Economic Justice" for family farms and rural communities. It is our opinion that "Economic Justice" should have been the primary requisite of any commodity program and that any future programs should first assure all participants of "Economic Justice". Simply stated, "Economic Justice" would require any government programs to be directed at the primary cause for assistance, in a direct manner and be equally available to all who need the assistance. The cost of such assistance should always be affordable to the taxpayer.

INDIANA RURAL ORGANIZING PROJECT
3951 N. MERIDIAN, INDIANAPOLIS, IN 46208 317-921-1120

Presently we are being advised of the great and urgent need for government funding for the re-development of our rural communities. It would be wise to remember that much of the need for this rural redevelopment has accompanied the demise and liquidation of the family farms in the rural communities. It is also somewhat ironic that at the same time our government farm assistance, through the commodity programs, has been directed toward larger and larger farming units, the Soviet Union is endeavoring to bring their family farmers back to their farms. Any effective program of economic development of rural communities must begin by providing for the continuation of the family farm.

Commodity supports, deficiency payments and lower commodity market prices simply do not produce the desired result of sustaining family farms. Present programs have been a "bonanza" for the families who "farm" the people who do the farming, but they are at best an indirect approach to the most basic farm problems:

1. The inability to service debt.
2. The recapitalization of farm investments.

Government programs must recognize the different situations of the people who are engaged in production agriculture.

The deficiency payments and the mandatory production of the 1985 Farm Bill completely negate the effect of supply and demand in the market price and assure continued market prices below the cost of production. The world price for grain is always slightly less than the U.S. price and it is the "Merchants of Grain" who would have us believe that our prices must be lower and lower to meet greatly exaggerated world competition. Grain companies and commodity traders do not produce grain and they should not receive storage payments for grain that is to be sold. If grain cannot be produced and marketed at a price level which is profitable to the producer, the grain should not be produced.

It is time to reconsider the loan programs of the 1950's, 1960's, and early 1970's which were so effective at keeping farmers on the farm. These were sound, proven, and workable programs which provided the basis for the stability and continuation of the family farm at a cost that was affordable to the taxpayer. From the vantage point of history, let us consider briefly what has transpired in the farm programs of the past 40 years. Original farm programs administered by A.S.C.S. and S.C.S. were much simpler, and much more cost effective. These programs provided the assistance to the farmer to develop the production potential of the land and at the same time conserve the land for future generations. Presently A.S.C.S. and S.C.S. offices are the "biggest game in town" and are amassing mountains of statistics which are of questionable value except to those who would reap a profit from the statistics!

A series of relevant questions: What legacy do we wish to leave to our succeeding generations? A land eroded and depleted, our water supply polluted by the ever increasing use of chemicals which are necessitated by the mandated production of the 1985 Farm Bill? Why not put the family farms back into the 1990 Farm Bill? Can we not learn from the recent past and have farm legislation that provides for the protection of the land and the water? Government programs should and must provide "Economic Justice" to the family farm and the rural community.

[illegible]

STATEMENT OF CHRIS FOSTER, FARMER, - INDIANA CITIZEN ACTION COALITION and NATIONAL FAMILY FARM COALITION: BEFORE THE HOUSE AGRICULTURE SUBCOMMITTEE ON THE 1990 FARM BILL: FIELD HEARING - JILL LONG - AUGUST 8, 1989

Thank you Representative Long and members of the committee. My name is Chris Foster. For 16 years my husband and I owned and operated a combination grain and livestock farm. Farming to us meant producing quality grain and hogs at a reasonable cost for consumers, and protecting our natural resources while making a decent return on our investment. The word that sums up our approach is "sustainability". I do not use this word in the context of farming with old tools using only outdated methods, but rather in its literal definition-"to uphold, support, maintain, suffer, endure, and nourish". Sustainability sums up the ordeal which has faced a majority of family farmers over the past eight years. It also offers the basis for successful farming in the future.

I would like to take this opportunity to present our assessment of the current situation and the effects of the 1985 Food Security Act and I would like to give you some thoughts on what should be incorporated into the credit section of the 1990 Farm Bill.

As a family farmer, and as a farm advocate with both the National Family Farm Coalition, and Citizen Action Coalition of Indiana, it is my experience that many family farmers are seriously questioning the effectiveness of the 1985 farm program. It was supposed to increase our exports, decrease government costs, reduce surplus stocks, and increase farm income.

In all these areas, the 1985 act has fallen far short of these goals. While some point out that exports have increased, they fail to recognize that this is the result of massive taxpayer subsidization through the Export Enhancement Program (EEP) and the short crop resulting from the worst drought in the last 50 years. EEP increased the volume of crops sold, but did so by lowering the value of the product. Our grain surpluses are down, but this is more the consequence of last summer's devastating drought rather than to successful administration of the the farm program. In actual terms we experienced average net farm income increasing from $30.5 billion in 1985 to $31.0 billion in 1987. That is only a 1.6% increase despite the infusion of over $40 billion in government costs.

The majority of any increase in the net cash income is due to direct government payments. Even so according to a March 1989 GAO report, this level only rose slightly from $39 billion in 1985 to an estimated $43 billion in 1988. For most farmers increased prices resulting from last year's drought, were more than offset by loss in production. For those few farmers not hit by the drought, the increase in market prices helped those farmers cashflow, often for the first time in many years. If this year shows record crop production, as it very well might, prices will again fall and farmers will probably break even or once again not recover their costs of production.

For family farmers, rural communities, the consumer, and the taxpayer the 1985 Farm Bill has been devastating. According the American Bankers Association, 484,000 family farms have gone out of business since 1985. 2,500 farms are going out of business each week. In Indiana between 1982-85, 5,000 farms were lost and in one year between 1986-87 another 5,000 were lost. Among those farms lost, is my own. In addition, the rural economy of Southern Illinois where our farm was located, and many other rural communities have not been able to absorb farmers and others who have been forced to find alternative employment. Many have left their homes and relocated, uprooting their families in order to find work. Although it was a relativly easy decision to leave, faced with no money to buy groceries or pay the rent, it has not been easy to assimilate into a new part of the country and a new "culture". The "cost of the farm crisis" will take a toll on both rural and urban areas for the next decade or longer.

Rural poverty levels are now 35% higher than those of urban areas. Nearly 17% of rural Americans currently earn below the poverty line. The disintegration of rural economies has forced large scale movement from rural communities. According to USDA, nearly one million people left rural areas from 1986-87, this was up from 630,000 the previous year. Over 1.6 million people are unemployed in rural areas. More than half of the hospital closures in 1988 were in rural areas. Schools and local businesses have suffered, and minority farmers have been driven from their land in unprecedented numbers. If the present trend continues, black farmers will be landless by the year 2000. Farm policy effects more than farmers and this must be taken into consideration when forging farm policy.

One would expect that when farm prices continue to fall, that consumers would be spending less on groceries. This has not been the case. We know from past history that farm prices do not have a strong correlation with grocery prices. As farm prices have fallen, retail prices have continued to climb. In effect, farmers are going broke and increasing numbers of urban and rural families cannot afford to feed their children. This is happening while food processing companies are reaping record profits. Angry farmers and consumers urge this committee to research the reasons for this phenomenon and design 1990 legislation to correct this inequity.

The taxpayer has been footing the bill for a federal farm program that is neither keeping food costs down nor farmers on the land. Taxpayers spent $44 billion in the last 3 years of the 1981 Farm Bill. The first three years under the 1985 Farm Bill, taxpayers spent $49 billion. Direct payments to farmers jumped to $32 billion in 3 years compared to a total of $25 billion over the previous four years. These 1985-88 totals would have been much higher if it hadn't been for the drought, which knocked $10 billion off the total direct payments due to the price increases. Taxpayers have also invested a lot in trying to expand our exports and have little return on their investment. Add to this the cost they have born from the decay of rural communities and it becomes obvious that the 1990 Farm Bill will have to make massive changes in policy if it is in fact to correct the problems of the past decade and truely protect the family farm system of agriculture.

The 1990 Farm Bill, will be the cornerstone for the development of agriculture in the next century. While farmer participation is always important in the formulation of farm legislation, it is especially important this year given the Administration's position in the international trade situation and actions at the GATT negotiations. United States farm policy should be decided by Congress and not trade negotiators in other countries. It is critical that ample opportunity exists for farmer's voices to be heard. I would like to ask that more field hearing are scheduled throughout the state of Indiana on all components of the 1990 Farm Bill.

I would like to suggest five major areas which need consideration when writing a new farm program. These are:
1. Farmers need a price support to cover their cost of production.

2. There must be an emphasis on the promotion of "sustainable" or regenerative methods of farming in order to protect our water, air and soil resources. In order to accomplish this, there should be a premium to cover the risk of transition to lower chemical input sustainable agriculture.

3. Farmers need a system of supply management based on bushels marketed rather than acres planted. In addition there needs to be a system of safe guards to protect domestic production in order to keep our farmers in business and competitive with foreign imports.

4. Incentive programs must be developed which target small and mid-sized farms in order to protect the family ownership of farms.

5. Farmers need a disaster reserve to self-insure against natural crop disaster.

We would like to suggest that this committee take a serious look at the following suggested proposals.

These have been developed by the farmers throughout the country, and I have included our rationale by way of discussion of these points.

1. Price supports to cover the cost of production: The question we are asking your committee and our Congressional representatives is:

"Since the market prices farmers receive are set by the Boards of Trade, would you support a provision in the 1990 Farm Bill establishing a price support at a level which would allow farmers to meet their cost of production?"

Rationale:

Farming as a business cannot survive when we sell our products for less than the cost of production. This is the most readily acknowledged fact in the business world. While politicians give lip service to, and surveys confirm the public's support for the family farm system of production agriculture, current farm policy falls short of establishing a price support which in fact, would "support prices" at a level which covers the true cost of production.

We feel that the proper role of government is to establish a level playing field. Government is willing to do this as it relates to the energy industry. Public Service Commissions are mandated to prevent a handful of energy companies from taking advantage of the masses of rate payers. So, too, government should be sensitive to the fact that the grain trade has monopolistic power in the marketplace. There is no competition in the countryside for the purchase of grain from the farmers. Therefore, legislative remedy in the form of a support price is essential.

If Congress is not serious about establishing a price support mechanism in the 1990 Farm Bill which will cover the cost of production (including labor and a return on investment), then they are NOT serious about the survival of the family owned and operated farm.

In the past, price support programs have come in various forms, including the non-recourse loan and the target price. The major difference is that a higher non-recourse loan nudges the market price upward drawing the purchase price from the grain handlers and processors, while the target price mechanism simply provides a direct subsidy from the taxpayers.

If Congress agrees that family farming and rural communities are worth saving, then they must choose which price support mechanism is appropriate for the 1990 Farm Bill- 1. The non-recourse loan or 2. The target price, each set to reflect true costs of production. The real question becomes, "Who pays for the grain, corporations or taxpayers?" This is a difficult question and will force a hard look at raising loan rates since target prices at a true cost of production would be fiscally impossible. The other problem facing those making this law, is the problem of protecting our domestic markets. Farmers must be assured that what they grow will be marketed at a profitable level and that our needs will be met before imports are allowed to flood our markets at prices below our cost of production.

2. Premiums to cover risk of transition to low chemical input: Questions of how to protect the environment will be a major focus in the 1990 Farm Bill debate weather we want to face them or not. It is our feeling that we as farmers would rather help establish environmental guidelines which encourage cleaner water and air supplies, healthier soil conditions, and safer foods for the consumers than to allow others to dictate to us how these goals will be met. The Question we pose here is:

"Do you support offering farmers a premium payment to cover the risk involved in the transition to low chemical input sustainable agriculture?"

Rationale: The Fowler Bill (S.970) presently being debated in the Senate addresses the need for demonstration projects to move farmers toward less chemical intensive practices. Sine it does not address the economic considerations which farmers in the field are facing, it will be difficult for farmers to participate. Offering a premium payment in the 1990 Farm Bill would be a budget expenditure, but the seriousness of the problem of food and water quality demands immediate attention. We also feel that farmers need to be offered the option of participating in lower chemical alternative management rather than having dictated to them, what they must comply with, without consideration of their economic position. In addition we believe that research needs to be done to determine the most cost-effective way to encourage participation in the Sustainable AG option which should be a part of the 1990 Farm Bill.

3. In the field hearing held in Indiana last week, one theme echoed by many who testified for various farm and commodity organizations was the idea of Supply Management based on bushels marketed rather than acres planted: The Question we pose is:

"Would you support a provision which will allow farmers to manage production on the basis of controlling bushels marketed rather than acres planted?"

Rationale: This area is probably one of the most important and achievable changes that we feel can be made in the 1990 Farm Bill. It will bring supply in balance with demand, when a farmer could market only a given amount of production, and it would reduce the incentive which presently exists for the continued use of high chemical inputs necessary to achieve maximum production rates. This would allow farmers to use lower rates as they could not sell their "over supply". It would also encourage lower chemical inputs and a return to a more naturally sustainable method of farming which would ultimately make our water, air, and soil resources safer.

4. All Congressional members at the subcommittee hearing in Indiana last week, emphasized the importance of and their committment to protecting the family farm system in United States. In order to do this we feel that there must be incentives targetted to small and mid-sized farms: This is another touchy point as it does single out a "special interest group" of farmers, but it is the only practical way we can see that will protect our family sized operations in the face of competition and advantages offered by the present system to corporate and larger farming operations. The Question we ask here is:

"Assuming the 1990 Farm Bill allows for bushel controls rather than acre controls, would you support targetting benefits to small and mid-sized farms by alloting to them a progressively greater percentage of a bushel marketing quota?"

Rationale: Targetting help to small and mid-sized farms has always been a concern of the public, of farmers and of Congress. Testimony presented and questions asked by Members of Congress at the July 12 Ag Committee hearing as well as testimony given by Representatives Glickman, Jontz, and Long in the Indiana field hearing held August 8, 1989, reinforced common support of that concept. Failure to support this measure will directly cut net farm income to small and mid-sized farmers.

Effective targetting, on the other hand, means to target benefits based on the percentage of bushels to base acres, which provides the small and mid-sized farmers the incentive for economic benefit. In order to realize that benefit, the farmer must produce the amount for which he will be compensated. In the target price concept, when the farmer is protected, he will be able to compete and survive. Under the present system he is finding it difficult if not impossible to survive.

5. Farming by nature is a risky business always dependent on natural conditions. In an attempt to address this critical problem, we are proposing a Farmer Disaster Reserve: The question we ask is:

"Would you support a program which would allow farmers to establish a disaster reserve which could be drawn from in times of natural disaster?"

Rationale: The Farmer Disaster Reserve (FDR) would allow farmers to establish a reserve for the purpose of self-insuring against a natural crop disaster. The reserve could be built by allowing a farmer to increase the marketing quota by a small percentage, which would be allocated to the FDR. A farmer would be eligible to draw from the FDR when a loss occured which was a specified percentage (10% or possibly 25%) below their marketing quota. The bill would contain stipulations which would prohibit abuse of the program. This would eliminate the need for future disaster relief legislation.

Although the subject of this hearing was primarily the Grain Commodity Section of the 1990 Farm Bill, we believe that in the past farm legislation has been flawed because sections were created in a vacuum rather than from a wholistic approach. I would caution this committee on repeating such folly. The farm and rural sector of our society has undergone a tremendous economic crisis during this last decade. The 1985 Farm Bill has been a disaster, and farmers, if they are to survive and rebuild rural communities during the 1990's must have specially created legislation targetted to meet their needs. Simple reworking the 1985 Farm Bill will not be satisfactory.

The economic turbulence of the past eight years has not been solved with higher prices in 1988. The 1987 Ag Credit Act promised the opportunity to restructure farm debt and keep farmers on their land when this is "the least cost alternative" for the government. It is a good concept and a wise decision for use of government money. In practice, however, FmHA and Farm Credit System banks have done their utmost to circumvent the law and terminate family farm operations. It has only been through the continuous badgering of our Congressional representatives by farmers that we have been able to monitor FmHA and FCS policies and force what little compliance with the 1987 Act there has been. In light of this I am asking that the 1990 Farm Bill include a restatement of borrowers rights that were intended under the 1987 Ag Credit Act. In addition, appropriate safe guards which protect farmers from both FmHA and FCS policies not in compliance with such protections should be added.

Specifically I am asking for farmers to have the right to sue any agency guilty of non compliance with federal laws, and for tax legislation which allows farmers to restructure debt rather than trade a bank debt for a tax liability. I would also suggest stronger review and administrative power from oversight bodies both with in and from outside these federal lending agencies.

What I and other family farmers have proposed is a bold change of direction in farm policy. It is necessary, however, if family farm agriculture is to continue. It is change which will insure continued food security and will protect and preserve some of our most basic and most important values.

As family farmers we have been sustaining our nation by "upholding, supporting and maintaining" our food security. We provide food and fiber which is of the highest quality for the smallest percentage of our consumer dollar. The policy of the past eight years has pushed us to the brink of disaster and we have lost hundreds of thousands of good men and women from our ranks. In short we have "suffered and endured" but the cost will be the loss of almost an entire generation of young farmers who will not have the careful nurturing and rearing on the farm necessary to insure the perpetuation of high quality professionals we have taken for granted since this nation was settled.

The cost will also be felt in the depletion of the natural resources which have made us rich and our our agricultural production bountiful. Current farming practices take a toll in the quality of our air, water, and soil. We also are suffering from the erosion of rural society and rural values and democratic principles. Once gone, these things cannot easily be re-established or replaced.

While family farmers have also fought gallantly to continue "nourishing" our way of life and those who partake of the fruits of our labor, we can not continue unless Congress truely espouses the concept of "sustainability" and makes a law which can sustain not only our businesses but also the traditions of our family based land distribution system of food production. Thank you for hearing my testimony, and I look forward to working with you during the up coming debate and passage of the 1990 Farm Bill.

Larry E. Jackson
439 W. Park Drive
Huntington, In 46750
(219)356-9166

I recognize as I come before you that you need another area of responsibility much as you need a head cold. Further I realize that any effort to organize farmers is a lot like arm wrestling a sack full of snakes. Nevertheless that is why I'm here.

I'm Larry Jackson, Commercial Chair of the Huntington County Rabbit Breeders Association.

Your first reaction will be, most likely, rabbits are a hobby animal. Your second reaction will, most likely, be that rabbits are outside your area of jurisdiction. Let me anticipate that logical set of assumptions and outline the broad potential of rabbits to impact agriculture, the family farm, the dietary quality of the American diet and the balance of payments. I know of no applications for the apple industry, the baking industry or family life.

As regards grains and feedstuffs: Rabbits consume a diet primarily of alfalfa and grain by-products such as soybean meal generated by Central soya thereby maximizung the efficiency of our grain crops. The principle ingredient, alfalfa, benefits agriculture in two ways. It is not part of the human food chain and is beneficial to the enviornment by reducing the need for chemcical fertilizers and pesticides.

Additionally the consumer is looking for low fat meats. The rabbit fits that bill nicely, being competitive with seafood in all areas except it is more digestible and has more culinary flexibility. The gorwing demand for seafood puts pressure on a badly overworked ocean, exposes consumers to untold potential for exposure to pollution and adds to our balance of payments problems as most feafood is imported.

Further the rabbit addresses the concern articulated by many about the demise of the family farm. This animal does not lend itself to the high intensity animal farm. This has the potential to provide supplemental income for the small farmer without the potential for pollution of poorly managed livestock operations.

In spite of all these positives, rabbit faces many barriers. You can deal with some of these barriers. We have had no government research since 1963; we have the FDA creating artificial barriers for drgg usage which means we have only one drug approved for rabbits; we have financially burdsome inspection requirements for rabbits intended for interstate shipment that no major meat industry faces, while we allow uninspected Chinense rabbit to be imported.

Specifically we would request: Research funding in nutrition; medication and husbandry techniques; relief from financially unfair inspection requirements; equal footing with imported rabbits and low cost loans for processing plants, the lack of which has been a major developmental roadblock.

It is worth noting that this area of Indiana, particularly the Fourth and Fifth Congressional Districts, represents an unusual opportunity for such research. This is due to a large number of sound feed companies, numerous nationally recognized rabbit breeders and a reservoir of skilled animal agrculturists capable of implementing sound livestock operations.

In summary: Perspiration and inspiration is required for any worthwhile project. We will provide the first ingredient if you will provide the second. Agriculture, like all good things, is in a constant state of change. Needs, values and perceptions change. The consumption patterns that drive the engine of agriculture are changing. Too often the reaction to such change is on the down side of the curve of change. With your leadership we can be on the upside of this curve.

The organization I represent, and many others like it, stand ready to assist in any way we can. I have several colleagues with me. We will attempt to answer any questions. Thank You.

FORMULATION OF THE 1990 FARM BILL

MONDAY, AUGUST 28, 1989

House of Representatives,
Subcommittee on Wheat, Soybeans, and Feed Grains,
Committee on Agriculture,
Pueblo, CO.

The subcommittee met, pursuant to notice, at 8:30 a.m., Colorado State Fairgrounds, 4-H Building, 1001 Beulah Avenue, Pueblo, CO, Hon. Dan Glickman (chairman of the subcommittee) presiding.

Present: Representatives Campbell and Marlenee.

Also present: Representative Brown of Colorado.

Staff present: Joseph Muldoon, assistant counsel; Greg Frazier, Anne C. Keys, and Cliff Humphrey.

OPENING STATEMENT OF HON. DAN GLICKMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KANSAS

Mr. Glickman. The Wheat, Soybeans, and Feed Grains Subcommittee will come to order.

Mr. Marlenee will be here shortly from Montana, the ranking Republican member, and this way, I will get my opening statement out of the way, and let your own distinguished Congressman say a few words.

We are delighted to be here in the great State of Colorado for one of a series of hearings which focuses on what the 1990 farm bill ought to look like. I say that because this is the Subcommittee on Wheat, Soybeans, and Feed Grains, but I want to make it clear that I have been told by the chairman of the full committee that we are authorized to hear testimony on everything as it affects agriculture.

We know that in your great State of Colorado, you not only produce the commodities in our jurisdiction, but this is a big livestock-producing State. There is a lot of dairy here, fruits and vegetables, timber, and, so, I want folks to feel very comfortable to talk about any subject as it relates to next year's farm policy.

Second of all, I, of course, come from the neighboring State of Kansas, and I recall that the first territorial Governor of Kansas was a man named Denver. Now, I do not know how Kansas gave up the Rocky Mountains back in the 1850's. I will tell you, however, that I am going to do some research about it while I am here to see if there is some way to correct that mistake that was made because we could use the additional territory for the tourism.

I think we want Pueblo back. So, actually, Ben, you are part of my State. I just want to let you know that.

I also spent many, many Christmases over in Aspen, and I have spent a little money in your State, more than a little money in your State. We do that every year.

I would say that you are lucky and privileged to have a man of the character and ability and independence of Ben Campbell in representing you in the U.S. Congress. He is, as I said, independent. He does what he thinks is right. He is under nobody's thumb. He represents a State with big agricultural production, which has not had very many people on the Agriculture Committee.

Ben obviously is the only Member on the House side on the committee, and over the last 50 or 60 years, there have not been very many members from Colorado on this committee at all. So, we are privileged to have him on this committee, and him being a leader on agricultural issues generally.

So, again, the function of this hearing is to listen to you about what we ought to be doing in farm policy. The goal is to try to write a farm bill earlier next year than we have done so in the past and try to get a bill that can be signed by the President maybe by next Easter, maybe by Memorial Day, but not wait until the last moment as the current farm bill expires on December 30 of next year.

So, given that, it is a pleasure for me to be here, and I would like to turn the meeting over for whatever comments he may want to make to your own Congressman Ben Campbell.

OPENING STATEMENT OF HON. BEN NIGHTHORSE CAMPBELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF COLORADO

Mr. CAMPBELL. Thank you, Mr. Chairman.

First, I would like to welcome you to Colorado, and as you mentioned, we do have a tourism economy. So, I hope you will be able to stay a while and you did bring some money. I think agriculture in our State is now about third, if I am not mistaken, in economic impact for the State of Colorado. It is still very, very important, and I am very honored and privileged to be a member of our Agriculture Committee and this subcommittee, too.

Ron Marlenee, my friend from Montana, and I serve together on both the Agriculture and the Interior Committees. So, we do spend a lot of time together, and, Ron, thank you very much for coming down and visiting us. I know you, like all of us, are being jerked around pretty good during a so-called break dealing with your own constituents and problems in Montana. We certainly appreciate your coming to Colorado, too.

The one thing I think I really experienced by serving on the Agriculture Committee in Congress, as I did in the State legislature, and that was that members, regardless of party, tend to work very well together, and I think it is probably the least partisan committee in the U.S. Congress, and I am very proud to be a part of that effort.

Chairman de la Garza, who could not be with us today, who just got back from the Soviet Union, as Chairman Glickman did, was going to try to come out, but at the last minute, he was not able to make it. But I believe because of the spirit of that bipartisan support that he displays and Chairman Glickman displays, they deserve a lot of credit for the kind of things that we can make move in the U.S. Congress and in our committee.

Budgetary pressures on agriculture, certainly members of the committee and those who represent rural America have to stick together more and more as we move forward. I believe that many Americans, even though there are about 20 million Americans whose jobs are dependent on agriculture, are beginning to recognize that no nation can be strong no matter how big the guns are unless we also have a strong agricultural policy, and as we move into 1990 and begin to look at what revisions we should make after the 1985 farm bill expires, comments from people that are out in the grassroots part of rural America are extremely important.

We hear an awful lot from people in Washington in committees, but as I understand it, over half of the comments we hear on ag policy in Washington are not from what I call agricultural people. They are not from farmers. They are not from ranchers. They are really from people that are in the industry, whether it is the feed industry or whether it is manufacturing of tractors or something. They are not really farmers, and it has always been a concern to me that we do not hear enough from people that are actually out there on the land and have committed themselves to the land from generation to generation.

So, I am just delighted to be here this morning. One of the things that I have been concerned with in our past policy is that I do not want to continue subsidizing foreign investments in our farms. For a long time, much of our taxpayers' money went overseas in our subsidy program to people who were not Americans and were not American farmers by any means, and I think that is one of the things that has always been a concern to me, and certainly, I think, Americans generally are supportive of our farmers, but there has to be a line where we put our money in an era in which we are really seriously trying to balance the budget, and I think agriculture as a community has certainly done their share of participating in our movement toward balancing the budget.

In fact, it is my understanding that if we cut out every dime that went to agriculture and just did away with the Agriculture Department having anything to do with Federal money that goes to agriculture, it would still only reduce the Federal deficit by 4 percent. So, we are not the big spenders in Government. Agriculture is not, and I think that statement needs to be made.

In any event, Mr. Chairman and Ron, thank you very much for coming.

We will be joined, as you probably know, by our friend and colleague, Hank Brown, who is not a member of this subcommittee, but has a great number of agricultural interests in his district, and we have invited Hank as well as the rest of the Colorado delegation to sit in this morning if they could. The rest of them are doing other things, but I think Hank will be along pretty soon.

[The prepared statement of Mr. Campbell follows:]

STATEMENT
THE HONORABLE BEN NIGHTHORSE CAMPBELL

HEARING OF THE HOUSE AGRICULTURE SUBCOMMITTEE ON
WHEAT, SOYBEANS AND FEED GRAINS

AUGUST 28, 1989
PUEBLO, COLORADO

THANK YOU MR. CHAIRMAN. FIRST, I WOULD LIKE TO WELCOME ALL OF THE MEMBERS OF THE SUBCOMMITTEE TO COLORADO, AND ESPECIALLY TO PUEBLO. I WANT TO THANK CHAIRMAN DAN GLICKMAN, WHO REPRESENTS MANY OF OUR FARMING FRIENDS AND NEIGHBORS IN KANSAS, FOR CHOOSING PUEBLO AS THE SITE FOR THIS FIELD HEARING OF THE SUBCOMMITTEE.

RON MARLENEE AND I SERVE TOGETHER ON BOTH THE AGRICULTURE AND INTERIOR COMMITTEES, AND AS THE REPRESENTATIVE OF THE GREAT WESTERN STATE OF MONTANA, HE UNDERSTANDS OUR CONCERNS IN THE WEST AND SHARES OUR INTEREST IN AGRICULTURE LEGISLATION.

YOU ALL KNOW FELLOW COLORADO CONGRESSMAN HANK BROWN, FROM THE 4TH DISTRICT. WHILE HE DOES NOT SERVE ON THE AGRICULTURE COMMITTEE, AS A REPRESENTATIVE OF THE COLORADO PLAINS HE IS INTERESTED IN AGRICULTURE ISSUES, AND I WELCOME HIM.

LADIES AND GENTLEMEN, YOU HEAR A GREAT DEAL ABOUT THE PARTISAN FIGHTING GOING ON BACK IN WASHINGTON. REPUBLICAN ATTACKS DEMOCRAT AND VICE VERSA. IT SOMETIMES SEEMS THAT NOT A LOT OF PRODUCTIVE WORK ON BEHALF OF THE AMERICAN PEOPLE GETS DONE WITH ALL THIS BICKERING.

ONE THING I HAVE EXPERIENCED ON THE AGRICULTURE COMMITTEE, HOWEVER, IS THAT WE ALL WORK TOGETHER TO SERVE THE AGRICULTURAL NEEDS AND INTERESTS OF AMERICANS WITHOUT A LOT OF PARTISANSHIP, AND I AM PROUD TO BE A PART OF THAT EFFORT. CHAIRMAN DE LA GARZA, WHO UNFORTUNATELY AT THE LAST MINUTE COULD NOT BE HERE WITH US, AND MY GOOD FRIEND, SUBCOMMITTEE CHAIRMAN DAN GLICKMAN, BOTH DESERVE A LOT OF CREDIT FOR THIS SPIRIT OF COOPERATION.

WITH THE BUDGETARY PRESSURES ON AGRICULTURE, MEMBERS OF THE AGRICULTURE COMMITTEE AND THOSE WHO REPRESENT RURAL AMERICA MUST STICK TOGETHER. IN THIS WAY, AGRICULTURE CAN BETTER SERVE ALL OF AMERICA AND ALL AMERICANS WILL BETTER APPRECIATE AGRICULTURE. CHAIRMAN DE LA GARZA HAS SAID THAT AMERICANS SPEND A RELATIVELY SMALL PORTION OF THEIR INCOMES ON FOOD AND YET ARE THE BEST FED PEOPLE IN THE WORLD. THOSE OF US WHO SERVE ON THE AGRICULTURE COMMITTEES ARE DEDICATED TO CONTINUING THIS SITUATION.

I ALSO WANT TO WELCOME ALL OF THE PEOPLE WHO ARE TESTIFYING TODAY AND TELL YOU THAT YOU WILL BE TALKING TO THE POWERS THAT BE WHEN IT COMES TO WHEAT, SOYBEANS AND FEED GRAINS AS WELL AS MANY OTHER AGRICULTURE ISSUES THAT WE DEAL WITH IN WASHINGTON.

WE HEAR A GREAT DEAL ABOUT FARM POLICY IN WASHINGTON AND AT LEAST HALF OF THAT INFORMATION COMES FROM PEOPLE WHO DO NOT FARM AND NEVER WILL. THAT IS WHY IT IS IMPORTANT FOR OUR AGRICULTURE COMMITTEES TO TRAVEL TO DISTRICTS IN THE HEARTLAND WHERE THE PEOPLE DO THE REAL WORK AND MUST LIVE WITH U.S. AGRICULTURAL POLICIES.

THE TOPIC OF THIS HEARING IS THE NEW 1990 FARM BILL, LEGISLATION THAT WILL REAUTHORIZE AND, IF NECESSARY, MAKE CHANGES IN OUR AGRICULTURE PROGRAMS. YOUR TESTIMONY TODAY IS IMPORTANT IN HELPING THIS SUBCOMMITTEE DETERMINE WHAT THE FARM BILL SHOULD OR SHOULD NOT CONTAIN.

ONE OF THE THINGS THAT I WANT TO CONTINUE TO DO WITH THIS FARM BILL IS TO BE SURE THAT IF WE CONTINUE TO ASSIST AMERICAN FARMERS, WE DO NOT SUBSIDIZE FOREIGN INVESTORS. IN THE LAST CONGRESS, WE PASSED A LAW THAT DOES NOT ALLOW FEDERAL FARM PAYMENTS TO GO TO FOREIGN INTERESTS, BUT THIS LAW EXPIRES SOON. I WOULD LIKE TO SEE THAT PROVISION CONTINUED.

I AM ALSO INTERESTED IN STUDYING THE DESIRABILITY OR NEED OF CONTINUING SUBSIDIES TO LARGE CORPORATIONS.

WE ALSO HEAR ABOUT THE NEED TO ALLOW FARMERS FLEXIBILITY IN THEIR PLANTING REQUIREMENTS TO BETTER RESPOND TO THE MARKET. AND WE SHOULD REMEMBER THAT FARMERS ARE VERY INTERESTED IN THE ENVIRONMENT, AS THE LAND REPRESENTS NOT ONLY THEIR LIVELIHOOD TODAY BUT HOPE FOR FUTURE GENERATIONS.

THESE ARE JUST SOME OF THE ISSUES THAT ARE BEING DISCUSSED, AND WE ARE INTERESTED IN HEARING FROM YOU, RATHER THAN THE OTHER WAY AROUND. WE ARE HERE TO LISTEN.

I AGAIN THANK THE CHAIRMAN AND THE SUBCOMMITTEE FOR AGREEING TO HOLD THIS HEARING IN WHAT PUEBLOANS WILL PROUDLY TELL YOU IS THE 'NUMBER ONE' CITY, AND I LOOK FORWARD TO THE TESTIMONY.

Mr. **Glickman**. Thank you very much, Ben.

We will look forward to him or anybody else coming, and I would like to recognize my colleague from Montana, the ranking minority member, Ron Marlenee. Ron and I have been in Congress the same amount of time.

Ron has managed to keep his hair, I have not. I am not sure what that means other than he is a great voice for agriculture in this country.

So, Ron, any comments you would like to make.

OPENING STATEMENT OF HON. RON MARLENEE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MONTANA

Mr. **Marlenee**. Well, thank you, Dan.

We have been in Congress the same length of time. The only difference is you became a chief and I am still an indian out here.

It is a great pleasure to be here with Ben Campbell, although I had fleeting moments of doubt when I was welcomed at the airport about noon by Ben Campbell. Not Ben Campbell, Ray Kagocic, and you remember Ray. Ray told me as I arrived at the airport, Welcome to Pueblo, have you ever been here before, no, then he said, "Well," he said, "it's good country. There are about three Democrats to one Republican." And I checked my ticket, but there was no way to get out at that particular moment. I was inextricably into this affair.

But the reason I am here is that you have a Member of Congress who has a high degree of credibility, and on this committee, we do not operate in a partisan manner, partisan basis. It is a very fair committee. They can be tough politically, and the committee is, the chairman is, but on occasion, when he has to be, but, nonetheless, we try to do the best we can in cooperation with the administration to see that the needs of the producers are met.

And you just do not use your time to travel out to the districts of people who are not in line with that kind of a philosophy. So, it is a pleasure to be here with Ben Campbell.

I got in about noon, and I got to see a lot of your little town here. I got to see a little bit of the surrounding area, and this is really one of the most pleasant places that I have had occasion to stop in. Nice homes, nice little city with all the amenities that one would need to live quite comfortably.

So, Ben, it is a pleasure to be here, and, ladies and gentlemen, I will not take up any more time because we should be hearing from you and time is precious in one of these hearings.

Thank you for the welcome.

Mr. **Glickman**. Thank you, Ron.

I would call as our first witness Mr. Steve Horn, Colorado commissioner of agriculture, representing Governor Romer, and then we will go to Mrs. Mary Lou Chapman, and then we have three panels.

I would tell all the witnesses, just for your benefit, all of your statements will appear in the record in their entirety. So, you may not feel compelled to read every word of your statement, you may just want to summarize, because I want to assure you that everything you say will appear in the record in its entirety.

So, we are delighted to begin with Mr. Steve Horn, and you may proceed.

STATEMENT OF STEVEN W. HORN, COLORADO COMMISSIONER OF AGRICULTURE

Mr. HORN. Chairman Glickman, members of the committee, I am Steve Horn, commissioner of agriculture for the State of Colorado.

On behalf of Governor Romer, I welcome you to the State and hope you have an opportunity to spend some time here, take a look around. I believe this is our 118th State fair, and if you get a chance, please take the time to look at some of the agricultural bounty on display here.

I am very honored to appear before you today and offer some thoughts that we have concerning the work that is before this committee. Again, I would like to thank you, Chairman Glickman, for coming to Colorado and giving our producers the opportunity to offer some statements.

Let me begin my remarks by setting the stage for the comments that I think you are most likely to hear today.

The State's agricultural economy is good. Congressman Campbell mentioned that it was probably the third largest industry and that is correct, although I believe in 1988, it may have been the second largest industry. We are neck and neck with tourism and recreation. It is about a $10 billion a year industry and about a $3.65 billion farm gate sales each year, but this agricultural economy is really driven by the livestock industry. About 70 percent of our agricultural sales fall under the livestock category.

And I think much of what you are going to hear today will reflect that relationship between the issues confronting your subcommittee and the livestock industry in Colorado.

Colorado is a feed grain deficit State. In spite of the fact that corn production in this State has increased this year by 18 percent over last year, last year was a record for corn in Colorado, the livestock industry consumes nearly all of our corn and feed grain crops.

Colorado cattle feeders market over 2.2 million head of cattle and lamb feeders market nearly a half million head annually. We are the No. 1 State in the country for lambs on feed, and we rank No. 4 in the country in fed cattle, right behind Texas, Kansas, and Nebraska.

So, obviously, any decisions that this subcommittee may make which affects the relationship between feed grains and livestock feeding is going to get the attention of that industry very quickly.

While having emphasized the importance of livestock to Colorado's economy, I think you should also be aware that we do have a very large grain industry in this State. Wheat has become the largest export product in dollar value. Over 8 percent of this State's wheat moves into the export market.

Because wheat is an important component of our ag picture, because it generates foreign trade for our State, again this subcommittee's decisions regarding loan rates, export enhancements, commodity programs, stipulations, will be of profound importance to our wheat growers.

The Food Security Act of 1985 has contributed significantly to the relatively stable economic conditions that we are experiencing in agriculture today. I believe this subcommittee worked very hard to forge compromises that to me were almost unsolvable, and the result, I believe, is very much worthy of the industry's gratitude.

I am sure that all of you would agree, that discussions which will occur this year leading to the adoption of a new farm bill should focus on the questions of what components of the 1985 farm bill should be retained, which should be revised, and is the 1985 law an appropriate road map to prosperity in agriculture in the upcoming decade. Will it lead us into the next century?

Well, I cannot tell you. These are very tough, very difficult questions. Questions that I really do not claim to have the answers to. I am certainly not an authority on farm programs, but I do have some strong feelings regarding some of the general directions in the Farm Program.

We do have a number of witnesses that you will be hearing from shortly representing commodity organizations, representing farm organizations in the State, who I think can speak more articulately to some of these issues.

I am firmly convinced that the 1990 farm bill must put to rest the questions surrounding the future of the Conservation Reserve Program. I know that this is not particularly within your jurisdiction on this subcommittee, but it is of profound importance to agriculture and to the farm bill.

Here in Colorado, we have 1.8 million acres enrolled in the Conservation Reserve Program. Commodity groups want to know, especially our wheat growers, what is going to happen with that program. Farm input suppliers also need to know what is going to happen with that program. Colorado's elevators and warehouse operators need to have some idea of what lies in store for them in the future.

Decisions must be made as to the future of this program. Will all the CRP acres remain in retirement past the initial contract period? I do not know. My own perspective is that, historically, we have not done a good job at the congressional level in maintaining continuity with our conservation programs. They tend to expire prior to formulation of a new program.

I am genuinely concerned about where that program will be in about 7 years, 6½ years from now, when the first contracts expire. Are we going to wait for 40 million acres of erodible soil to be put back into agricultural production before we begin figuring out what the new Conservation Program should be?

So, I cannot overemphasize the impact of the CRP in Colorado. You have to realize, too, that that 1.8 million acres that we have signed up in Colorado contains 650,000 acres of wheat, formerly wheat ground, that has been taken out of production. As a result, our economic structure in rural Colorado has changed somewhat, and in some circles, it is thought of as not for the better.

Make no mistake, I do believe in the Conservation Reserve Program. I think it has done an enormous amount of good for our very precious resource base in Colorado. SCS estimates that we saved nearly 46 million tons per year as a result of CRP participation.

Income from CRP contract payments, I think, is also of critical importance to this State. It came at a time when agriculture was in the throes of an economic dilemma, and in many cases, as a result of these depressed prices, plummeting land values, our industry was stabilized somewhat by this program.

Not all of the results of the CRP program have been positive. I cannot stress how much pressure has been put on me and the Governor of this State as we travel through rural Colorado concerning noxious weeds and the finger of blame repeatedly has been pointed toward CRP lands, not only as a harbinger for wheat pests, but also for insect pests.

As you may know, the Russian wheat aphid has been very devastating in this State, has taken millions and millions of dollars from this State's wheat and barley. There are many who feel that the CRP lands are harboring infestations of both insect and wheat pests.

The bottom line, I guess, in this part of the discussion is that USDA Soil Conservation Service is the technical agency responsible for overseeing the CRP. They are the technical advisors for ASCS, who administers that program, and I believe that SCS is woefully understaffed. I do not see how they can possibly police 1.8 million acres in this State.

These are just a few of the issues that I am sure are on your minds as well.

A final topic that I would like to raise is one about which you will hear some more later, and that concerns haying and grazing on our set-aside acres.

I do not believe this will be a tremendous problem as long as carry-over stocks remain relatively low, but I believe the issue must be settled in legislation that this subcommittee is preparing to write.

Over the years, Colorado's ASCS committee has remained very steadfast in its opposition to allowing haying and grazing on set-aside acres. The only exception to that has been during severe drought.

I believe that the 1990 farm bill should unilaterally prohibit such allowances for haying and grazing unless severe drought circumstances occur.

The current policy of leaving this decision to the various ASCS State committees, I think, is inappropriate. It places these boards in an untenable situation when surrounding States have, in fact, allowed haying and grazing on the set-aside acres.

Colorado cattle and sheep feeders compete with Kansas. They compete with Texas and Oklahoma in grass for feeder placements. If our feeding industry is forced to pay higher feed prices than our competitors due to arbitrary decisions made by neighboring State ASCS committees, we are going to be placed at a severe economic disadvantage.

As long as Colorado's neighbors prohibit haying and grazing on set-aside acres, I, too, will recommend that Colorado sustain its policy opposing the practice, but when our neighboring States, one by one, begin recommending and requesting approvals for this practice, I am going to have to defend this State's livestock industry, that $2.4 billion a year industry, even though it is against my philosophical objections.

I believe it is just and defensible to prohibit haying and grazing in set-aside acres unilaterally. As I said earlier, drought impacts may require waivers of that policy, but the potential of permitting haying and grazing simply to create skewed cattle feeding economies must not be permitted to occur.

I will take no more of your time. Again, there are many witnesses here today that have a great deal of knowledge and expertise in the program which you folks are going to be dealing with.

I want to thank you again for coming to Colorado, please enjoy the fair, and I would be happy to respond to any questions that you might have.

[The prepared statement of Mr. Horn appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you, Mr. Horn, for an excellent statement, and I would say that we have been to quite a few hearings where State commissioners of agriculture welcome us, tell us to enjoy the surroundings and then offer nothing substantive, and you are an exception in that, and we appreciate that very much.

My only comment on the haying and grazing issue, and I am from a State that has permitted haying and grazing and there has been a lot of congressional pressure to push that, is that almost always you can find adverse weather conditions that will justify haying and grazing, certainly in the minds of producers and in the minds of State committees as well.

I think you cannot separate the haying and grazing issue from the underlying domestic farm policy/grains policy issue, and that is why you do have a set-aside. Under what circumstances do you have a set-aside? Will we need the set-aside any more? If we do have a set-aside in the farm policy, will we give farmers and ranchers more flexibility than they have had in the past to do what they want on their land?

These are all issues that will be dealt with in the 1990 farm bill, and the issue of haying and grazing on set-aside acres, I suspect, will relate to—as well as whether we have a bona fide Crop Insurance Program or whether we continue with disaster assistance, which we in turn try to help some folks in the livestock business by allowing them to hay and graze on set-aside acres.

So, I think your comments are important from the standpoint there needs to be some relative equity to this and so certain States are not put arbitrarily into an unnecessary economic disadvantage. After all, some of the cattle producers in eastern Colorado have very similar conditions to the cattle producers in western Kansas, and I realize that there need to be differences in terms of how they are dealt with there.

So, I just want to say, I think it is an important subject that you raise. I do not think it can be dealt with totally on its own, though. I think it has to relate to what we generally do in the farm policy.

Mr. HORN. I agree.

Mr. GLICKMAN. Thank you very much.

Mr. Campbell.

Mr. CAMPBELL. I have no questions, Mr. Chairman.

Obviously, Steve keeps in very close contact with our office since I am on the Ag Committee, and the concerns he has voiced, I have heard many times over and over through our mail and the phone calls and also from Steve, too.

So, I am very well aware of the problems.

Mr. **Glickman**. Mr. Marlenee.

Mr. **Marlenee**. Mr. Horn, you certainly would not be in favor of turning all of the decisionmaking over to the bureaucrats from Washington regarding haying and grazing, would you?

Mr. **Horn**. That is a difficult decision. I think the bureaucrats in Washington might be able to help Congress with at least defining under what conditions we would allow haying and grazing rather than being an arbitrary decision on the part of State bureaucrats or an arbitrary decision on the part of Congress.

Mr. **Marlenee**. I think there are certain guidelines that they must follow now in certain levels of decisionmaking that involve even your own office and the Governor's office with regard to the disaster programs. You know that, I know that.

Let me ask you this. You sent a couple of conflicting signals here in your testimony, Mr. Horn. That is on CRP set-aside.

You favor more set-aside?

Mr. **Horn**. Are you talking about CRP?

Mr. **Marlenee**. CRP. I am talking about set-aside. I am talking about the——

Mr. **Horn**. Conservation Reserve Program is what you are talking about.

Mr. **Marlenee**. Yes.

Mr. **Horn**. Not a CU or ACR acres.

Do I favor more?

Mr. **Marlenee**. Do you favor more?

Mr. **Horn**. I—more participation in CRP?

Mr. **Marlenee**. Yes.

Mr. **Horn**. I believe the country right now is approaching that 40 million acre mark, if they are not already there. There are those that believe that we could put upwards of 60 million acres into that program.

My view is that if it is, in fact, highly erodible class 6 and 7 crop land, perhaps even dropping down into the class 4 and class 3 crop lands, that, yes, it is in the best interests of agriculture's long-term future to protect the resource base on which agriculture is so dependent.

There is a conflict there. When we continue to——

Mr. **Marlenee**. There is a price to pay.

Mr. **Horn**. There is an economic price to pay.

Mr. **Marlenee**. In every small community, there is a price to pay.

Mr. **Horn**. That is correct.

I am more concerned, however, with keeping what is already in in, and I do believe that the most highly erodible acres in this State at least have already been put into the Conservation Reserve Program, and the last thing I think we all want to see are those acres come out of the reserve and put back into production.

The effects on the resource base, the effects on the economy would be devastating.

Mr. **Marlenee**. It is very interesting.

Thank you.

Mr. **Glickman**. Thank you very much, Mr. Horn, for your testimony.

The next witness is Mrs. Mary Lou Chapman, member, National Agricultural Research and Extension Users Advisory Board, Arvada, Colorado.

We are delighted to have you here today.

STATEMENT OF MARY LOU CHAPMAN, MEMBER, NATIONAL AGRICULTURAL RESEARCH AND EXTENSION USERS ADVISORY BOARD

Mrs. **Chapman**. Thank you, Mr. Glickman.

We are delighted to have you in Colorado. I was born in your State and quickly moved here from the State.

Mr. **Glickman**. How quickly? Did you get a chance to sample the air and the water and——

Mrs. **Chapman**. Well, I spent 4 years there, and my family—both sides of my parents' family were from your State. So, I have sampled your air and water.

Mr. **Glickman**. Our air and water has roots in your area.

Mrs. **Chapman**. I was going to say, much of which, you get from us.

Mr. Chairman, Mr. Campbell, Mr. Marlenee, I am delighted to be here.

My name is Mary Lou Chapman. I am a food and agricultural marketing consultant, and I serve as a member of the National Agricultural Research and Extension Users Advisory Board. It is in this capacity that I speak to you today.

I welcome the invitation to briefly discuss with you some of the concerns which deserve attention in the 1990 farm bill.

The National Agricultural Research and Extension Users Advisory Board, as you may know, most often called the UAB on the Hill, is a statutory committee established by the National Agricultural Research, Extension and Teaching Policy Act of 1977, that is title XIV of the farm bill.

Our 25 members have the responsibility of preparing independent advisory opinions on needs and budget priorities for research, extension, and higher education in the food and agricultural sciences. In order to reach these opinions, we contribute many hours to reviewing public and private sector programs, evaluating food and agricultural policies and listening to concerns of other users of research and extension programs.

We appreciate Congress' consideration of our recommendations provided to you every year in this red report, and we hope that we will have your support for our continuing authorization in the 1990 farm bill.

You will find more about the responsibilities and the structure of the UAB on page 59 of our current red report.

As all of your offices in Congress have received copies of the book, and I brought you extra copies today, I am simply going to summarize a couple of key concerns of the board and of my own.

Trade-offs between food production and quality of the environment are inevitably facing us as the preservation of the environment becomes a worldwide concern, of both urban and rural dwellers. We believe we need to more clearly define and analyze the options for encouraging protection and management of the soil, water, and genetic resources while maintaining our productivity.

Toward this point, the board was awakened to the very real concerns of rangeland and watershed management, during our recent meeting in New Mexico. Our western watersheds are so important, both to my State and to your State and several of our surrounding States, for the irrigation supply necessary for agricultural crops and for our cities and our urban water users.

But, we have taken our watersheds for granted, and we have neglected them, until many have succumbed to the subtle invasion of pinon, juniper, and sage brush, whose roots withdraw the moisture that falls. In the areas that we viewed in New Mexico, a near solid canopy of this brush prevails, allowing little of the water to reach the aquifers and almost none is available for the grasses that formerly grew in that area.

There is a critical need in this area for development of economically and environmentally sound methods of controlling these invading brush species. Research is needed into fire, mechanical, and chemical control. This concern is not specifically addressed in our current report, but it will be in our next one.

Several vehicles are already in place in the farm bill where this watershed management concern and concerns about the watershed management issue in general can be addressed. These are the Renewable Resources Extension Act, Rangeland Research Grants, and, of course, the Water Quality Initiative.

We urge you to use your influence with the Appropriations Committee to allow funding of these critical programs and without the limitations imposed through earmarking.

To maintain our standard of living and our leadership role in a changing global climate, we must find new ways to attract our best students to agriculture and to educate them well to secure our leadership for the future. It is also vitally important that we encourage agricultural literacy, knowing about the importance of agriculture, at all educational levels.

Equally as vital as bringing fresh individuals and understanding into the field, we must find ways to attract the top research scientists and minds to agriculture, and to offer a challenging and rewarding climate where they can excel.

It will take a sound foundation of research, technology, and well-trained individuals to put the competitiveness of U.S. agriculture back on track.

Private enterprise provides, currently, the largest amount of dollars for agricultural research today, but we cannot and we should not, ask them to pick up the tab for basic research.

We also cannot expect State governments to devote inordinate amounts of limited research funds to broad basic national research needs. We must be prepared to fund this basic research at the Federal level, for the good of all our people.

We must renew the Federal commitment to agricultural research if we expect, as a society, to continue to rely upon a national policy of constant and inexpensive food and fiber, a favorable agricultural trade balance, and a stable economy in rural America.

USDA funding for agricultural research is still at 1967 levels in constant dollars. Some, Congressmen and others, have suggested a reason for this situation of constant research level funding, is that USDA research funding picks up what is left after the cost of support programs for crop surpluses.

Is it probable that this type of programmatic approach, that involves policies which both encourage and discourage production and promotes attention to surpluses, cause our nonagricultural constituency to question the research investments designed to make our agricultural machine even more bountiful?

Perhaps as we begin a new era in agriculture, we as some have suggested, need a new vision, one which requires foresight, creativity, sophistication, and maturity on the part of Government, industry, and academia, but allows us to take advantage of the existing pieces and assemble them into a more effective whole.

How to do this? I obviously do not have time to outline a development plan here today. But, food for thought: What if we began a weaning process, as many involved in agriculture have already suggested, to move away from some of our subsidy programs and toward a market-driven agricultural economy? And, what if we were willing to sacrifice some of our special grants and our politically earmarked programs, and began shifting the dollars we saved into expanded competitive research and development for agriculture's future?

From my view, to increase the research investment in agriculture is a goal that is win-win. It stands to achieve positive results for all involved.

Here is an effort in which we should be enlisting the help of our nonagricultural population, for they will likely gain the most. I believe that through such an effort, properly funded and properly communicated, we can foster a common-goal relationship for championing the cause of a stable and healthy new era in agriculture.

Conversely, the harshest sentence that could be imposed today on Americans, both urban and rural, would be for us to continue to allow a constant, and consequently shrinking, part of our Federal resources to be allocated toward technology development which offers a proven and demonstrated record for U.S. agricultural superiority in terms of global competition.

Thank you for your time and attention.

[The prepared statement of Mrs. Chapman appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much for also an excellent statement, and I guess one of my comments is I hope that as part of the 1990 farm bill, we do take an honest and realistic look at agricultural research in this country to make sure that we are not substantially promoting research which preserves the status quo and does not deal with the competitive world which is changing rather dramatically.

As Ben just mentioned, I appear a little tired today because it is about 10 minutes after 2 in the morning in Moscow, and that is where I was 2 days ago, and I am very thankful to be home, I want you to know that, but as part of an agricultural and a nonagricultural economy, I saw the side of what happens when there is no flexibility, total centralization of management, and it just does not work, and they are desperately looking to break out of that model. Whether they will be able to do it or not nobody knows.

We just have to make sure we stay at the head of the model and not get sucked into the back of it ourselves. One of the ways to do it is to keep agricultural research modern on substantive issues, and I think the point you make on earmarkings is very good. Just as long as it does not touch any of the programs at Kansas State University.

Mrs. CHAPMAN. Right, right.

Mr. GLICKMAN. And Colorado State as well.

Mrs. CHAPMAN. Mr. Chairman, the problem is, as you know, that is the way all Members of Congress feel.

Mr. GLICKMAN. No. I only care about Kansas State and Colorado State. I do not care about the other ones. Or Montana. I am sorry. Yes, Montana State.

In any event, we are delighted to have you here, and we thank you for your very good work on the advisory council.

Mrs. CHAPMAN. Thank you, and you have the names of all the other members of the advisory board. We have a couple of bright people from your area—Kansas—on the board, and if any of us can offer any help to any of your committee, we are open.

Mr. GLICKMAN. Thank you very much.

Mr. Campbell.

Mr. CAMPBELL. I am not sure if my question is going to fit, Mary Lou. I know you have been very active in this Agricultural Research Advisory Board, and I also know that we are doing some research at some of our land-based institutions, like CSU, on new kinds of high protein feed grains that, I guess, generally have come from South America, like quinod and so on.

Has the advisory board dealt with this when you made your recommendations, have you made or dealt with any of these new feed grains?

Mrs. CHAPMAN. Yes, Congressman Campbell. In response to those issues, you will find them in our reports under sustainable agriculture, and we have looked at a lot of different products at the universities that we have visited.

Now, my term on the board is coming around to not quite 2 years. So, some of the members who have been on the board for a lot longer than I have, have looked at a lot more of the programs, but we have looked at some of the things at Purdue earlier in the year that are going on. We were at North Dakota State University up in Fargo and looked at a lot of the ARS facilities up there and some of the things that they are looking at.

And, there is continuing research going on at a lot of the different universities on these subjects. I guess as a board member, one of my concerns might be, are we doing the same research and overlapping in different universities, and I would hope that that is not the case, but the universities are working hard to try to get a better network so that they are not——

Mr. CAMPBELL. Yes. I know that there is research going on at a number of universities, and I guess what I am trying to find out is what part does your advisory board play in that. As you study those different things that the different universities are doing with some of the foreign grain?

Mrs. **CHAPMAN**. We simply make recommendations on what things we think should be continued.

Mr. **CAMPBELL**. To the Agriculture Department?

Mrs. **CHAPMAN**. Yes, and what things should be continued. And, when we meet at a university, then we will also make a recommendation back at that specific university or through an advisory board member who may be in their area, as to what we thought about some of the programs.

We have seen programs at some of the universities, that have a lot more money than those of us in Kansas and Colorado have, that we thought were a little impractical. The kind of stuff that one would expect to happen at a research institute, but could not be translated out here on a dairy farm, for instance, in eastern Colorado or western Kansas. And those are some of the statements which we make back which do not make us loveable creatures to many administrators, but by the same token, we hope that we are fair in our evaluations. And, we will recommend to Congress if we think a program should be increased or if it should be decreased.

But, on the sustainable agriculture efforts, we really think that we have to be looking at these. We think we have to be looking at them practically, also, from the standpoint of whether or not the research that is being done on a specific product, does really have an application in a specific area. Is it potentially practical for a farmer to change over to that type of product from what he has now, and is there a market for it?

Mr. **CAMPBELL**. Thank you.

Mr. **GLICKMAN**. Thank you.

Yes, Mr. Marlenee.

Mr. **MARLENEE**. No questions.

Thank you.

Mr. **GLICKMAN**. Thank you very much for your testimony.

Mrs. **CHAPMAN**. Thank you.

Mr. **GLICKMAN**. Next, we have a panel of two witnesses. We have Mr. Jim Pelton, president of the Colorado Association of Wheat Growers, and we have Mr. J. Malcolm Hefley, president, Colorado Corn Growers Association.

So, we would ask both you gentlemen to come up here, and I think we will have both of you testify before we ask questions.

So, why do we not go ahead and begin with you, Mr. Pelton, and then, after you are finished, we will go to Mr. Hefley.

STATEMENT OF JAMES K. PELTON, PRESIDENT, COLORADO ASSOCIATION OF WHEAT GROWERS

Mr. **PELTON**. Mr. Chairman, members of the committee, I would like to thank you for this opportunity to present the views of the Colorado Association of Wheat Growers regarding the issue wheat producers are concerned about for the next generation of farm policy in 1990.

I am Jim Pelton, president of Colorado Association of Wheat Growers. My family and I operate a wheat farm near Cheyenne Wells, Colorado. Clearly, the 1985 Food Security Act was not perfect, but, as a whole, I believe most Colorado producers are genuinely satisfied with the bill.

The 1985 act deserves praise for addressing the very difficult situation that depressed the agricultural economy during the mid-1980's. Depressed farm income, a serious farm deficit situation, loss of export markets, and a burdensome stock of grains.

About this time in 1986, the United States was holding a record level of 1.9 billion bushels of unsold wheat. This stockpile amounted to 97 percent of the total domestic and export utilization. In fact, excessive stocks caused many of us to believe that we had entered a new generation of farm surpluses.

As each member of this committee knows, the 1985 bill was a result of many hard compromises. It was constructed as a bridge between earlier programs and more market-oriented policies and its front-loaded costs were anticipated. At the time, we hoped to turn around the wheat situation within the life of the 1985 act. Significant progress toward reaching this goal has been accomplished, and we hope the new legislation will continue the process of returning agriculture to the sound financial footing.

There are several broad policy concerns that wheat growers have told me they would like to see addressed in the 1990 bill. First and foremost, in the minds of many producers is the desire to continue current farm policy, providing farmers with an income safety net. In the present system, target prices deficiency payments of nonrecourse loans have worked to place a floor below which a farmer is protected from adverse price movements.

Furthermore, the continued judicious use of annual set-asides and farmer reserves will provide the necessary fine-tuning to balance the grain supplies for international market needs, the food reserve bill, and domestic consumption.

The present farm policy was crafted under the shadow of burdensome oversupply of almost all makes of commodities. Although most farmers and policy experts agree that a continuation of present policies is in the best interests of the Nation's farmers, there is also a realization that grain supplies and prices have changed dramatically. Therefore, some fine tuning will be necessary to ensure the Farm Program policies do not cause a slowdown or stagnation of the farm economy.

A prime example of this concern is the repeated calls in some areas of the country for greater planning flexibility. While the Colorado Association of Wheat Growers is fully cognizant of the demands for greater planning flexibility, the grower members are adamant that flexibility must not come at the expense of their family livelihoods. This is why wheat growers are skeptical of the triple-based concept as it appears to be more budget driven than flexibility driven.

As we understand this proposal, a grower would have three bases, permitted acreage, which would be the base acreage, minus any acreage reduction or divergent program, payment acreage, which represents a percentage of the potential acres planted to a crop, and a release portion of the base, which may be planted to other crops but which would earn no real benefits.

We see the triple-based plan as nothing more than a back door way of cutting target prices. Furthermore, the proposal ignores the fact that wheat producers often lack the cropping options enjoyed by the Corn Belt or other regions of the country.

For example, the combination of low moisture and high altitude make wheat the only viable crop on the Colorado Plains. Therefore, we would urge members of this committee to look at the normal crop acreage program with the inclusion of summer fallow acreage as a viable alternative to triple-based and a more equitable way of addressing flexibility concerns.

The Food Security Act of 1985 marked a major policy shift toward a more competitive export-oriented farm policy. The cornerstone of our export policy has been the Export Enhancement Program. The program has been used to accomplish three objectives: First, to compete with the unfair trade practices in other countries; second, to increase exports of farm commodities; and, third, to enhance our bargaining position in the Uruguay Round of multilateral trade negotiations.

In the past 4 years, export enhancement has resulted in over $8 billion in sales of farm products, including 60 million tons of wheat and 2.7 million tons of flour. In the eyes of most wheat producers, the success of the program is without question. Since initiation of the program in 1985, the U.S. share of the world wheat and flour market has increased from 29 percent in the 1985-86 marketing year to 42 percent in the 1988-89 marketing year.

The Export Enhancement Program represents our Nation's most powerful trade policy leverage. The importance of the program is best understood when we recall that many of our competitors, especially in Europe, have been subsidizing exports for years. A continuation of the Export Enhancement Program and other export programs has never been more vital to the future of our Nation's wheat farmers.

As we move forward with the next round of trade negotiations, a strong export management program is our best strong key that other countries will come to the table in a good faith attempt to negotiate new disciplines and a reduction of trade barriers.

The final broad category I would like to address today is the environmental arena. The conservation title of the 1985 act marked a major shift by merging for the first time farm program policy and environmental policy. The sodbusters and swampbusters provisions of that title are worthy goals and are workable when tied to the basic realization that conservation plans must also be economically feasible.

The Department's alternate conservation system is a prime example of balancing our society's conservation goals with the economic reality. As Congress addresses questions regarding the future of the Conservation Reserve Program, we would urge the members of the Agriculture Committee to weigh the effect it has upon some rural communities and beginning farmers.

While the program has removed some very erodible land from farm production, it has also created a largely unforeseen barrier to entry for beginning farmers competing with Uncle Sam for amounts of farm land.

Additionally, many business men in rural communities have come to the conclusion that the 25 percent countywide cap on CRP enrollment is too high and has accelerated the decline of many rural communities. Already, farmers are weighing the benefits of participation in the Farm Program against the cost of the conservation compliance.

This is important to note because there are many people within the environmental community who would like to tie program benefits to some form of environmental plan. We believe that many Colorado farmers will find that such a "carrot-and-stick" approach to addressing environmental concerns will be too much "stick" and too little "carrot."

Instead of placing more strings upon program participation, we should revamp our existing delivery systems for addressing problems within agriculture. A renewed commitment to research and education will ensure that those of us within agriculture can address concerns about chemical use and its effects upon ground water environment of good safety.

A concerted effort by the agricultural community toward addressing chemical use issues through improved management practices and enhanced education will preclude the need for regulatory solutions to environmental problems.

Mr. Chairman, members of the subcommittee, I thank you for the opportunity to testify.

I would be pleased to answer any questions at this time.

[The prepared statement of Mr. Pelton appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you.

Mr. Hefley, we would like to hear from you, but before we do that, I would like to recognize our colleague from the State of Colorado, Mr. Brown, a member of the Ways and Means Committee, and a distinguished friend of rural America, who is here, and we are delighted to have you here, Hank, and do you have any comments?

Mr. H. BROWN. Mr. Chairman, I just want to extend my appreciation to you for bringing the subcommittee here. I appreciate the chance to join you in these deliberations.

I know you are going to make real progress on the new farm bill. Congressman Campbell and I both appreciate your willingness to hold hearings in Colorado.

Mr. GLICKMAN. Thank you.

Mr. Hefley, you may proceed.

STATEMENT OF J. MALCOLM HEFLEY, PRESIDENT, COLORADO CORN GROWERS ASSOCIATION

Mr. HEFLEY. Mr. Chairman, members of the committee, I am J. Malcolm Hefley, I am from Two Buttes, Colorado, and I am currently serving as president of the Colorado Corn Growers Association.

On behalf of the corn producers of Colorado, I thank you and your colleagues for this opportunity to express our thoughts toward the development of the successor of the 1985 Food Security Act.

This current law, unknown to the farm community, is a 1985 farm bill. It has proven adaptable in response to varying production and marketing circumstances. Those variations and circumstances are well known to this subcommittee.

An all time record grains stocks and low prices; a partial recovery of corn export volumes; the recovery of the auditing crisis; improved land values; a steady annual adjustment of income and price supports; and program commodities that resulted in decreasing Federal outlays for farm programs, from about 26 billion to about 11 billion in only 4 years. About a 57-percent decline.

Provisions of the 1985 Food Security Act have proved practical and flexible under those widely varying conditions and did schedule reductions in the Federal deficit and should provide the basis for drafting an omnibus farm legislation at its expiration.

We in agriculture recognize the importance of reducing the Federal deficit and its potential impact on the national economy. In addition to scheduling reductions in the 1985 farm bill, the Gramm-Rudman-Hollings deficit reduction package developed after the October 19, 1987, stock market plunge, required farm spending to be reduced by $900 billion in 1988, and by an additional $1.5 billion in 1989.

For corn growers, these actions required an additional reduction of 1.4 percent in the target price in 1988 and 1989.

In light of USDA's disproportionate contributions toward reducing Federal deficits through such sharp reductions, we feel it should be required that all sectors of the Government and economy share equally in any budget adjustment that is undertaken.

We would like to emphasize that USDA's annual entitlement is just under 4 percent of the total such expenditures, but its potential exposure is 20 percent of the reductions under Gramm-Rudman-Hollings sequestration orders.

As a result, as a solution to the possible further Federal budget reductions which will result in further declines in Federal outlays for U.S. corn and agricultural programs, the increase in production must be achieved in order to realize higher prices from the marketplace.

We feel one way to do this is by putting into place commercial credit and export policies for agricultural exports. As corn growers, we would encourage a continuation of the Export Enhancement Program. To date, there has been very little corn sold to the EEP program. This is an area in which corn exports could be expanded.

We are urging the United States to offer the most favored nation status to the U.S.S.R. and necessary modifications to the law to accomplish this objective.

Also included in the 1985 farm bill is a Sugar Program which has an 18-cent per pound loan rate in 1990. Legislation requires that the Sugar Program be operated at a no net cost. Accordingly, the USDA annually adjusts the sugar import quota to maintain this economic equilibrium.

The current Sugar Program is working at a no cost to the Federal Government. However, since its inception, it has been under almost continuous attack in the administration and sugar users. The importance of the U.S. Sugar Program to corn growers cannot be understated. The production of high fructose corn sweeteners provided corn growers in 1987 with their third largest market behind livestock in export markets or the equivalent of one-half of the U.S. annual corn exports to the U.S.S.R.

I would also like to comment on the concept of providing farmers the flexibility to plant other crops on program base acres. We favor a greater degree of farm flexibility in planting their crops, and the western Corn Belt, however, does have extremely limited alternatives for their crops.

The market demand is minuscule in relation to acreage devoted to the crop. Most appropriate to our circumstances, corn. We are heartened to see that the current administration initiative to offer support alternative fossil fuels as they become aware of the positive effects ethanol fuel can have on the environment.

Colorado corn growers have worked diligently to facilitate the Nation's first oxygenated fuels program here in Colorado as the most significant strategy to reduce unhealthy levels of carbon monoxide in the air, and on the production side, it has gone largely unrecognized that an acre of 120 bushel of corn consumes 12.6 tons of carbon dioxide, the atmospheric gas largely responsible for the "greenhouse effect."

We are part of the solution and not part of it. The 6-cent per gallon exception for ethanol from the Federal fuels excise tax should be extended to the year 2010. Such an extension will allow renewable environmental benign fuels to make an impressive contribution to air quality. Tax incentives for the industry would take proposed ethanol plant constructions past the planning stage to actually putting steel in the ground. Such plants would provide additional jobs to further benefit the rural economies.

We see the future of the corn industry significantly dependent upon research and development in the field related to industrial biotechnology. We have seen successes in the field of materials development, such as degradable plastics, and expect additional advances in the field of new highway materials for the automobile and aerospace industries, such as stronger-than-steel composites.

I would like to submit several issues of a working paper prepared by the National Corn Growers Association with our input as part of my statement. We would urge the Federal Government to allocate some money for research in this area beyond the traditional parameters. This would enable the industry to take a bold step into the area of industrial biotechnology.

New farm legislation will undoubtedly have to accommodate growing concerns for numerous environmental issues which are water quality and soil conservation. Food safety is becoming a more worrisome issue and increasingly debated with more heat than facts.

We fear legislative efforts under the broad heading of food safety would have implications for the use of agricultural chemicals being developed by a number of committees in Congress. We urge you and your colleagues on the Agriculture Committee to press for joint responsibility in the writing of this legislation.

Again, I appreciate the invitation to make our views known to this subcommittee, and I thank you for conducting these hearings.

[The prepared statement of Mr. Hefley appears at the conclusion of the hearing.]

Mr. Glickman. I want to thank you both for excellent testimony.

Obviously, Mr. Pelton, I have a lot of interest in what wheat growers say because Kansas is—well, it was not this year, but in most years, was the No. 1 wheat producing State. I share your concerns about the triple-based concept. I have never really been a big fan of it. It is a way of reducing income to producers and disguised in a complicated bureaucratic way, and, in addition, we will continue the Export Enhancement Program during our trade negotiations. I want to assure you of that.

I want to ask Mr. Hefley. I want to just make a couple of comments with him.

As I said, I just got back from the Soviet Union, and the chairman of the full committee and I and four other members, we had the privilege of meeting with two members of the Politboro, including the Prime Minister, the No. 2 man to Gorbachev, and then we went down to Gorbachev's hometown, Stavripole, and we went to farms and saw his house and everything else, and the Soviets repeatedly raised the issue of this most-favored nation status that you talked about, and in the concept of Jackson-Vanik, which the law prohibits them from getting most-favored nation status because of their human rights problems and domestic situations that developed earlier.

They have made some significant progress in the last few years. There is no question of what is happening in the Soviet Union. So, one of the things that I am going to do over the next few weeks is to analyze the prohibitions which that law provides. What it effectively does is it prevents the Soviet Union from getting low interest credits on its purchases from us.

So, it cannot buy under the same terms as, let us say, Mexico can or any other country can. It is complicated because, on the one hand, we are spending $300 billion a year on defense to beat them on the plains of war if that should happen; on the other hand, the issue, should we allow them to buy their grain cheaper from us and at pure market prices. So, you see the complexity of all this, but they are, and you and I think it makes some sense, that they have made some dramatic progress in this area, and I know that there are many, many incredibly revolutionary things happening over there right now.

So, we are going to take a look at it is what I wanted to let you know.

I thought I would tell you one quick anecdote over there, a fascinating anecdote. The Prime Ministers told the chairman of the committee, he said, "We're frustrated." He said, "We do everything you ask us to do" from his perspective, and he said, "You push us on letting people out who want to go out." He said, "What do you want us to do? Forcibly pick people up and take them to the border who don't even want to leave?", which is kind of a little bit of hyperbole, but then he said, "The last 2 years, we've opened 1,000 churches and synagogues in the Soviet Union, and you don't seem to be impressed. What will it take? Will it take General Secretary Gorbachev and I to become believers in order to make you believe that we're sincere?"

And, so, the chairman of the committee, Mr. de la Garza, said, "No, you don't have to become believers, we just want to make sure you have the option of becoming believers.", which was kind of a good reply to them, but I know that the soybean and corn growers, particularly, have been interested in this issue. The livestock people have become more interested in the future, and we are going to take a look at it.

I do not think we—I think we need to keep them on a leash, though. I do not think that we ought to just overnight assume that they are now the most democratic state in the history of the world and we do not have some foreign policy objectives there to pursue, but we are going to take a look at it and see if they should be given some latitude under this law.

Mr. **Hefley**. I would caution you that too many times, agriculture has been used as a political football, and if that is part of the reasoning——

Mr. **Glickman**. I do not think so, because this law applies to all products, and, of course, agriculture has been the primary thing that we have sold them over the years.

The thing that a lot of my constituents say to me is that why should we give them low interest loans when we are spending $300 billion on B-2's, Star Wars, MX missiles and Trident submarines to blow them up. They said, it does not seem to make a lot of logical sense to do those two kinds of things.

Well, hopefully, we are entering a world now where maybe we will all spend a little less money trying to blow each other up and try to help us in other areas as well.

So, I just wanted to let you know that your comments were well taken, and we are going to take a look at it and see if we can make some modifications there.

Thank you.

Mr. Campbell.

Mr. **Campbell**. I would like maybe Mr. Hefley's reaction. You mentioned the most-favored-nation status. I assume you mean for ag purposes only?

Mr. **Hefley**. No, not for total ag, no.

Mr. **Campbell**. No. I mean, you are saying we should have—perhaps we should give them most-favored-nation status with all of the purchases they want to make in the United States?

Mr. **Hefley**. Possibly, yes.

Mr. **Campbell**. Including some of our technical fields?

See, that is the problem we have. I think as the chairman mentioned, is that we are trying to two-track this thing, and we get terrific pressure from our own constituents about that, too, how we have to maintain a strong defense and we cannot let those guys catch up with us on the technological playing field, and so on, but we also hear that we ought to try and open up more trade and export more of our crops to the Soviet Union.

But what I worry about is the unfortunate thing that happens a lot, if I can say, in politics, is that perception seems to be more important than reality in a lot of cases, and I wonder about the perception in the ag community, whether that perception would be good or bad if we did try to move toward most-favored-nation status for the Soviet Union.

I know I belong to the Farm Bureau, the Farm Union, and Cattlemen, several other groups, and they tend to be pretty anti-Soviet Union at this stage.

Mr. **Hefley**. Well, in agriculture, it would give us more markets.

Now, we go back to whether we open it up to the technologies, we have already sold Japan technology or they have stolen half of it, but we have not—we are dealing with a country here that is almost in economic ruin, and they are trying to get back up on their feet, too.

It would also show good politics on our favor to open up the doors to trade with them, and I am not someone telling let us sell our national secrets, but I am saying we might make that door to trade a little more open.

Mr. **CAMPBELL**. Well, I might also mention, since Mr. Pelton—about 2 months ago, Mr. Chairman, I had an opportunity to go down to the southeast part of the State, in my colleague's district, Hank Brown's district, and just try and gain some knowledge about the problems of wheat growers and corn growers were facing to ready myself for this hearing, and they were very kind to me down there and showed me around a good deal.

He mentioned in his testimony about our Export Enhancement Program, and I guess you are well aware that the farm bill, according to almost all of the people that have studied it, seem to think that we are moving in the right direction. It is my understanding that for 1981, we had something like almost 60 percent of the world wheat market. Within a 5-year period of time, we lost half of that or more than half of it.

I saw some statistics a couple of months ago that indicated we are up in exports of wheat about 39 percent over last year, which indicates we are recovering a little bit in our exports. Certainly maybe not to the prior 1981 levels, but we seem to be moving that way, and maybe nobody knows why. Forcing a strong Export Enhancement Program is probably part of it. Maybe it would have happened anyway when the dollar went down. We do not know, but I guess in the best interests of people in elected office who would like to take some of the credit for it.

Mr. **GLICKMAN**. Mr. Campbell deserves all the credit.

Mr. **CAMPBELL**. OK

Mr. **GLICKMAN**. Mr. Brown a little bit, too. All right.

Mr. Marlenee.

Mr. **MARLENEE**. Thank you, Mr. Chairman.

Mr. Pelton, on the conclusion of your statement or in the conclusion of your statement, you stated, "Additionally, many businessmen in rural communities have come to the conclusion that 25 percent countywide cap on CRP, Conservation Reserve Program, land retirement program, is too high."

Do you have some counties where that has occurred?

Mr. **PELTON**. You take southeast Colorado. That is the main county. The main county in Colorado. Those counties that have put their land into the CRP——

Mr. **MARLENEE**. Mr. Chairman.

Mr. **PELTON**. And whatever the land goes into the conservation plan, their reserve, these farmers could buy diesel fuel, farm equipment, the whole thing.

Mr. **MARLENEE**. So, the Conservation Reserve has had a very negative effect. The land retirement program has had a negative effect on the economy?

Mr. **Pelton**. On the economy, that part of the economy. It has put money back into the economy, but those people do not put it in the farm equipment and, those people are hurting. Fertilizer, this type of thing.

Mr. **Marlenee**. Generally, what happens to these people who have put their land into the Conservation Reserve?

Mr. **Pelton**. At the present time, they are keeping pretty busy. They are having to mow their Conservation Reserve land. They have a certain obligation they have to meet with that.

In our particular area, most of the guys are old enough to retire.

Mr. **Marlenee**. They have just retired, some of them have left the communities.

Mr. **Pelton**. I see very few of them leaving, at least in our particular area.

Mr. **Marlenee**. Mr. Pelton, I would make the statement that Conservation Reserve Program has done more to hasten the demise of the rural communities than any other single program we have put forth.

Would you agree or disagree?

Mr. **Pelton**. It is highly possible, but I was talking to Mr. Glickman awhile ago about—I do not know whether it is rumor or fact, but it seems that they are wanting to release the conservation plan acres so we can raise more wheat.

This concerns me a great deal because of the surpluses we can build from it, this type of thing, and——

Mr. **Marlenee**. So, what you are saying is it is a double-edged sword.

Mr. **Pelton**. Yes.

Mr. **Marlenee**. Well, let me ask you, with the conservation plan, there is a big push in Washington, DC, that we have to do more for conservation in this Nation and, of course, producers themselves have been involved in conservation for eons, and we have a Soil Conservation Service that has done a good job, soil conservation districts that have done a good job, and, yet, we have this great impetus in Washington, DC, that we have to save the world, save the United States of America, and save every small rural community by added conservation measures.

What would be the results of a more stringent conservation plan, more stringent conservation requirements, in the conservation plan?

Mr. **Pelton**. Well, we do not like for them to tell us how to farm. This is something the conservation plan is doing. I do not know how they are going to police it. I think an educational program as far as we are concerned would work better than policing us, telling us how to farm.

We are environmentalists ourselves, conservationists, and, so, I would answer your question. I do not like them telling us how to farm. This is a problem we have, and it is a concern of the farmers.

Mr. **Marlenee**. Will the result be that more farmers pull out of the programs?

Mr. **Pelton**. We see it that they will because there is no incentive to stay in the program at the present time.

Mr. **Marlenee**. So, it is a disincentive to stay in the program.

Mr. **Pelton**. With wheat almost at target price, there is no incentive. The Farm Program needs to build some kind of incentive to keep the farmers in it that they are wanting us to buy for their conservation plans.

Mr. **Marlenee**. Well, both of you are producers. I am going to ask you a question about cost.

What does it cost for the chemical, per acre chemical cost of application and chemical for you, Mr. Pelton, for spraying an acre of wheat?

Mr. **Pelton**. It depends on what chemical you use.

Mr. **Marlenee**. We are talking about a herbicide.

Mr. **Pelton**. A herbicide. You take for the Russian wheat aphid, you will have approximately $8 an acre.

Mr. **Marlenee**. Eight dollars an acre. What did it cost you 10 years ago?

Mr. **Pelton**. Now, we did not have this particular problem 10 years ago. So, I cannot really——

Mr. **Marlenee**. Well, we are talking just herbicide.

Mr. **Pelton**. Herbicide? We are using more chemicals than we did 10 years ago, and as far as relating price, in my particular operation, we have not—did not use many chemicals until a few years ago, and they came in with allied products and all that you can put on your wheat to keep the weeds down in it.

We come up with our good Russian wheat aphid, which is something we were not faced with a good many years ago. It came up just a few years ago, and, so, there is—it is hard to tell you.

Mr. **Marlenee**. Well, we hope you take care of that Russian wheat aphid before it gets to Montana.

Mr. **Pelton**. It is already in Montana.

Mr. **Marlenee**. I understand that.

Mr. **Pelton**. It is all over the whole United States. We are getting some more funding from the Federal Government. So, that will help us a great deal, but now we are looking at another problem in Colorado and that is white grass and sheep grass, which has a larger economic impact than Russian wheat aphid.

So, it is never ending. It seems like every time we get one problem solved, we are hit with another one.

Mr. **Marlenee**. Well, let me warn you that the messages on food safety and chemical costs and conservation programs are not getting to Washington, DC, from the producers. The messages received in Washington, DC, are from the extremist segment of society who are the Meryl Streep, who is the foremost toxicologist in the world, is there talking about alar on apples, but you people are not being heard in Washington, DC, and I cannot overemphasize the importance of your groups making the contact with all the Members of Congress, particularly with Tom Foley, who is from an agricultural district, who controls the ebb and flow of legislation, and I would urge you to make that contact because when Meryl Streep comes or old Whoopie comes to Washington, DC, we have all the television cameras, all media, and it is somewhat irresponsible on the part of the media not to question these people, and a full committee room with a full contingent of Congressmen, but when your groups speak, it speaks much too softly.

Mr. **Pelton**. They are working on that. The National Association of Wheat Growers has set up an environmental awareness group which has a group of young farmers from all over the United States to do just what you are saying. So, we are educating them now and hopefully we can do some good with them.

Mr. **Marlenee**. Well, these people that can be brought to accountability and I am talking about those who go out and make statements. They are reaping millions of dollars of economic devastation on producers. They are bankrupting suppliers, disrupting financially devastating importers and exporters and destroying our export markets, that no one is holding them accountable for irresponsible statements, and that can be made for Members of Congress, too.

I got carried away, and——

Mr. **Glickman**. That is fine.

I would just make a couple of points before I yield to Mr. Brown.

One is, I think the record ought to reflect the primary reason people will stay in or not stay in a program has to do with the economics of the price that you get in the marketplace vis-a-vis the support level of the Government target price, is that not correct?

And, I do think that we have to have a reasonable balance in the conservation programs, but that—and that they have to be sensible, but at the same time, there is the recognition that if the taxpayers of this country all over America are putting up dollars, there is an interest on them to make sure that the land is being taken care of properly.

We know most farmers do that anyway. There are some who have not, and, so, the goal is to just try to make sure that we preserve this natural resource, the soil and water are other problems there.

I do not want to leave the impression that the primary reason people would stay out of a program is just because the conservation provisions. I think the economics of the program probably determine that.

The other thing I would point out to you, I agree with Mr. Marlenee, that there are some who cry extremist thoughts in terms of what we ought to be doing with pesticides and herbicides. I know Mr. Marlenee has two apples here. I assume he has something to say about those later on, and I will not steal his thunder, but it is also important to recognize that the American public is concerned about environmental issues and rightfully so.

There is a stake to make sure that our food is clean as much as we can and the purity of our water is uncontaminated. Farmers believe that every bit as much as city people believe that.

The goal is not to polarize, not really to say those environmentalists and Meryl Streep and Jane Fonda are outrageous, they do not reflect the balance. The point is that we have to work together, farmers, ranchers, and people in urban areas, to come up with a good sensible balance, so that we can produce food realistically, but at the same time, we can try to reduce the threat of disease due to excessive contamination of our food and water supply.

And if farmers look at everybody else as the enemy, then we will never get anything done, and I would compliment both of your farm groups because, nationally, I think you have done an excellent job of recognizing that we have to strike a balance here and not just merely say, well, we know what is best and the hell with everybody else, because if we do that, we are going to be—we have problems in terms of passing farm legislation in this country.

Less than 20 percent of the House of Representatives represents rural districts. So, that means 80 percent represents urban districts, and it just means that we have to deal with the political sensitivities of a population base in America which is substantially urban and suburban, and that is one of the reasons why some of these other issues will continue to dominate.

It is our job in representing rural America to make sure that we and you, not just us—really it is your job more than ours—to make sure that we do sensible things, not extremist and unrealistic things.

Mr. **Marlenee**. Mr. Chairman, will you yield?

Mr. **Glickman**. I will be glad to.

Mr. **Marlenee**. I certainly agree with you that we have to have a balance, but you have the world's foremost toxicologist, Meryl Streep, make pronouncements about alar on apples. This destroys our markets, and I have seen evidence of that. That is not cooperating with the agricultural community. That is self aggrandizement by a self-appointed individual, who has taken food safety upon herself or themselves and we have an apple here that if it had been sprayed with alar—Mr. Pelton, would you like an apple?

Mr. **Glickman**. Are you going to pass those out to members of the committee, too?

Mr. **Marlenee**. If that had been sprayed with alar, a rat could eat 28,000 of them a day and perhaps get cancer maybe, might, but with the result of an announcement like that is that cases of grapefruit rotted on the docks and the producers were devastated, exporters and importers were devastated, Mr. Chairman, in some of the foreign countries, because Meryl Streep and a group of self-appointed people made a public statement and the media picked up on it and then this same thing applies to beef and livestock and every other commodity that we export, it gives our competitors an opportunity to use this issue, and some way we have to control that and the irresponsibility surrounding it.

Mr. **Campbell**. Mr. Chairman, if you would further yield, Hank and I were talking of trying to decide what an otologist was.

Mr. **Glickman**. Toxicologist.

Mr. **Campbell**. Toxicologist.

Not somebody that studies oxygen.

Mr. **Glickman**. Now that we have fully discredited Meryl Streep, I would like to yield to Congressman Brown.

Mr. H. **Brown**. Mr. Chairman, we are relieved to hear that. We thought you were talking about a proctologist.

Mr. **Marlenee**. My pronunciations leave something to be desired.

Mr. H. **Brown**. It may have been wishful thinking.

We appreciate your testifying and the content of your remarks.

Just a quick observation. As you know, what has come to be known as the Conservation Reserve originally started off with Bill Armstrong's sodbusters bill and the bill in the House, the original one, was my Erosion Reduction Act.

Our chairman here today was one of the prime movers in seeing those concepts put into law. He not only took the leadership on it, but made an enormous contribution in that area. But, I must say in the Erosion Reduction Act or the sodbusters bill or even the measures that the chairman actively promoted, no one had talked about in those early days of giving the USDA a carte blanche to look at practices, farming practices, beyond the conservation reserve land.

And I must tell you, it has been a mistake for us to move the USDA on that.

Malcolm, I think you know Quizzy has lots of work to do back at home. He is a quality human being and a great worker, but I do not know where you come up with people who know more about the land than the farmers who farm it.

I mean, I know what is happening in Baca County. They are trying to hire people to help out to get the load done. But the idea that you are going to have the local USDA office, the ASCS, come in and know more about the details of farming a piece of ground than the guy who owns it and farms it, is a joke, Mr. Chairman. I am hopeful the committee will take a look at that again, as I think both of you have suggested.

Jim, I wanted to ask of you, if you have any suggestions for us as the European Common Market becomes more integrated in 1991, as to how we can deal with their protectionist provisions on agricultural products.

Mr. PELTON. I really cannot comment much on that, other than the Export Enhancement Program, which you say is going to stay in place. It is the only tool we have with the Common Market, and I do not know. This is way beyond most of us wheat producers, how it works.

Mr. H. BROWN. I see it as a very tough challenge, because you see one of our big customers extending what clearly is a protectionist kind of measure with their targeted price and the variable import duty that they operate off of. As time goes by, if you have suggestions from the corn growers or wheat growers, I know all of us would appreciate hearing your thoughts.

Mr. CAMPBELL. If you would yield for a moment?

Mr. H. BROWN. I will be glad to yield to you.

Mr. CAMPBELL. I think that is a problem we have faced for the last 2 or 3 years, trying to find a balance between what is commonly called free trade on one extreme and the other one which is called protectionism on the other side, and from my perspective, the word "protectionism" does not fit anymore because what we have been faced with in the last few years is really what I call reverse protectionism.

By not doing anything to protect ourselves and keep hiding behind that sort of free trade facade, when the rest of the world is obviously going through some protectionist measures in their agriculture, I think we are going to get a very, very rude awakening in 1990. When the European Common Market goes into effect, we are going to be facing some formidable odds when we try to export our products.

Thank you.

Thank you, Mr. Chairman.

Mr. **Campbell**. I yield back.

Mr. **Glickman**. Thank you both for excellent testimony, and I know that you will always remember the word "toxicology".

Our next panel is two gentlemen from the livestock industry, Mr. Corwin Brown, president of the Colorado Cattlemen's Association, and Mr. Jay Hickert, president of the Colorado Cattlefeeders' Association.

Delighted to have you both up here, and you may proceed.

Mr. Brown, why do you not go ahead and give your statement and once you are finished, Mr. Hickert, you may then proceed?

Mr. **Campbell**. Corwin, if this panel would like to abbreviate, you are certainly welcome to do. As the chairman mentioned, all of your written testimony will be included in the record.

Mr. C. **Brown**. I'll attempt to be brief, especially since you have 2 to 1 up there, Colorado against Montana.

STATEMENT OF CORWIN A. BROWN, PRESIDENT, COLORADO CATTLEMEN'S ASSOCIATION

Mr. C. **Brown**. I guess the chairman realized that I am a third generation native Coloradan and only lack about 5 miles from being a Kansan, decided he could not stand to sit here and listen to this.

My name is Corwin Brown. I serve as the president of the Colorado Cattlemen's Association, which represents primarily the cow-calf stocker cattle farmers and ranchers within this State.

I personally operate a purebred operation, manage a large yearling operation of about 2,000 head. Agriculture has been described here today as the second largest industry within our State, generated $3.2 billion in receipts in 1987.

Colorado cattle industry represents $2 billion of that or 62 percent of the total ag receipts. Nationally, the cattle industry is a $35 billion business, which represents the largest segment of American agriculture.

The Colorado Cattlemen's Association appreciates this opportunity to submit testimony in regard to the formulation of the 1990 farm bill. While the cattle industry, many times we are perceived, we are not directly impacted by many of the provisions within the farm bill, our industry relies very heavily on those commodity areas which are included to a large degree.

Therefore, because of the size and the scope of our industry, and the direct relationship between our industry and other commodities, we have a vested interest in this very important legislation.

We would like to stress, first and foremost, that fair and equitable treatment of all commodity groups is essential to the success of any agricultural legislation. As producers, we cannot support legislation which benefits one commodity group at the expense of another.

When drafting language for the 1990 farm bill, we urge you to consider the overall impact of this legislation on all areas of agriculture. One of our primary concerns with the 1985 Food Security Act is section 1314, which authorizes the Farmers Home Administration to grant conservation easements.

Further, the 1987 Farm Credit Act gives the Secretary of Agriculture discretionary authority to transfer title of interagency and FmHA foreclosed inventory property. As a part of the swampbuster legislation that supports the no net loss of wetlands concept, these two dangerous provisions tie up additional lands under public ownership and thereby reduce the value of surrounding private lands.

The Fish and Wildlife Service here in Colorado is having a heyday with these provisions and continue to pressure FmHA for increased easement restrictions. Such restrictions provide the Fish and Wildlife Service with the tools to convince State and local authorities to transfer title of property to them. Many good producing ranches within our State have been devastated by this legislation, and others are standing in line at this date for this wetlands easement ax.

Mr. CAMPBELL. Corwin, if you would hold up just a second, I will be glad to yield my time.

Mr. MARLENEE. Point of clarification on the record.

You are talking about the U.S. Fish and Wildlife Service?

Mr. C. BROWN. In Colorado, it is the division of wildlife under that authority, the Federal Fish and Wildlife Service, yes.

Mr. MARLENEE. U.S. Fish and Wildlife, Federal Fish and Wildlife Service?

Mr. C. BROWN. Yes.

Mr. MARLENEE. U.S. Fish and Wildlife Service is what you are referring to in your statement?

Mr. C. BROWN. Both. Colorado, the deeds to these easements are actually going to the State division of wildlife in Colorado.

Mr. MARLENEE. But you made the statement regarding having a hey-day and the utilization of the provisions by, please clarify. U.S. Fish and Wildlife Service.

Mr. C. BROWN. It is the Federal Fish and Wildlife Service, but in Colorado, it is the division of wildlife. We are operating under their authority.

Mr. MARLENEE. I thank you for that clarification.

Mr. C. BROWN. We enclose in here an actual deed that was given and it was given to the State of Colorado acting by the department of natural resources for the use and the benefit of the division of wildlife and the wildlife commission. It is included in my testimony.

We would strongly urge this committee to put a hold on such easement designations, contemplated transfers, until the President's task force on no net loss has been completed on their how-to guidelines. At that point, hopefully, such actions can be incorporated into an overall objective program which does not have a negative impact on agriculture.

We have many grain and livestock producers within our State who are participating in the Conservation Reserve Program and the wheat and soybean and feed grain programs. As cattlemen, we disagree with any provisions to allow these acres to be harvested for additional profits. However, while we may oppose such practices, we feel it is even more important that the treatment of these acreages be consistent between States. Allowing individual States to determine the policies for handling these programs creates inconsistent rulings and puts many producers at a competitive disadvantage.

This situation became painfully apparent in 1987 when hay producers in Colorado, a State which did not allow harvesting of conserving use acres, faced plentiful hay supplies in neighboring States which encouraged this practice. Allowing such harvesting of conserving use acres in some States resulted in depressed hay prices and reduced demand nationwide. This, in turn, resulted in an unprofitable environment for Colorado's hay producers.

Again, we urge this committee to investigate the overall impact of all future agricultural legislation so as not to tip the scales inequitably for some commodity groups.

We are concerned that the conservation title of the 1990 farm bill may prove to be the most controversial in the sense that forces outside of the agricultural mainstream will have input into this title. From environmental groups to other committees in Congress, the debate regarding conservation may be the most hard-fought battle.

As stewards of the land for decades, cattlemen are very concerned about the quality of our environment. However, we question the methods used to address this issue. We believe it is imperative to closely guard private property rights as Congress writes environmental laws.

It is vital to the future of our industry that the 1990 Food Security Act be drafted by the Agriculture Committees which have jurisdiction over this area. It is both unfair and unwise to allow other entities to overstep their bounds and skew this important legislation to satisfy their own desires.

The agricultural community was dismayed to see this apparent misuse of power occur last year, when the House Interior passed the Oregon Wild and Scenic Rivers Act and adversely affected 500 miles of agricultural land along Oregon's rivers. Farmers and ranchers here in Colorado will depend on both of the Agriculture Committees to defend and protect our private property rights.

Mr. Chairman, we thank you for this opportunity to comment today.

[The prepared statement of Mr. C. Brown appears at the conclusion of the hearing.]

Mr. GLICKMAN. Mr. Hickert, you may proceed.

STATEMENT OF JAY HICKERT, PRESIDENT, COLORADO CATTLE FEEDERS ASSOCIATION

Mr. HICKERT. Thank you.

Mr. Chairman, members of the subcommittee, my name is Jay Hickert. I am president of the Colorado Cattle Feeders Association.

I appreciate the opportunity to make comments before this hearing today.

As you know, the cost and availability of feed grains are of critical importance to our industry. There are several issues of concern as we look to the 1990 farm bill.

The first of which is a concern that there is no potential of programs being pivotal on certain production practices, such as using production pesticides. We discourage the encouragement of certain production practices for farmers participating in the program over those not participating.

If the use of herbicides or chemicals is dangerous to the environment, those uses should be discouraged in all areas, not limited strictly to those participating in a program.

The second issue is one of consistency. In Colorado, we have a serious problem with the implementation of portions of the 1985 farm bill. Such as the haying and grazing on set-aside acres, including ACR, CU, and Conservation Reserve acres.

When it is left to each State to make the determination whether to allow harvesting in these acres, possibilities of State politics come into play and put one State at a disadvantage over another occurs. To give an example, in the haying and grazing issue, Colorado was one of only a handful of States that did not allow producers to hay or graze ACR or CU acres. All other major cattle feeding States and all surrounding States were allowed to hay and graze, putting Colorado's feeding industry at a disadvantage because of the availability of forages was not as plentiful as those in surrounding States.

This decision in Colorado was based totally on politics and not on economics or the availability of the product. We encourage that whatever programs are developed, they be implemented nationwide. If there needs to be flexibility within different areas of the country, let the same group or the Secretary of Agriculture determine where those program areas are. Do not let individual State politics play a role.

A third concern is a repeat of the Dairy Termination Program. Obviously, program implementation in 1986 did not have a positive effect on the production of dairy products which was to have reduced the amount of surplus milk. It did have a devastating impact on the cattle industry.

Such programs need to be reviewed and need serious consideration before being included in the farm bill.

The feeding industry is the ultimate consumer of feed grains which are produced in this Nation. Programs such as drought legislation and production limitations are important, but one segment or one type of producer should not benefit solely because of those qualifications. The people who benefit should be those who need the help, not putting any other segment or type of producer at a disadvantage either for pricing or marketing.

Those producers should not be able to benefit in either price or availability of product solely on those attributes.

The cattle feeding industry obviously needs a strong supply of feed grains, but we do not need an oversupply. Therefore, the feed programs are of major concern to Colorado Cattlefeeders' Association.

I again thank you for coming out to Pueblo and inviting us to make these comments this morning.

If there are any questions, I would be pleased to try to answer them.

[The prepared statement of Mr. Hickert appears at the conclusion of the hearing.]

Mr. **Glickman**. Well, thank you both very much for your testimony, and I know how important the livestock feeding industry is to this State as it is to my own.

Kansas, I think, now is the No. 1 feeding State in the country in terms of total numbers of cattle fed. Something that Texans do not acknowledge, but we know it is true.

So, I appreciate very much your input, and I know Mr. Campbell is on the appropriate subcommittee as well, in addition to this subcommittee. So, we will carry those ideas as we review the 1990 farm bill.

Mr. Campbell.

Mr. **Campbell**. No questions, Mr. Chairman, but I would just mention, Corwin, that you probably have followed this as well as we have back there, but in this year alone, there has been one movement back there to disband the grazing boards. There has been another movement to dilute them by expanding them, and another movement to raise the grazing fees by something like 300 percent.

Those kind of things, I think, are going to keep coming up, which tells me that western ranchers, the ones who use the public lands, particularly, are going to be on the defensive more and more as we move forward in time and Congress.

The Agriculture Committee is made up primarily of people that have some very direct relationship with ranching. They either ranch themselves or they have a very large constituency of ranchers, but some of the subcommittees as well as some of the subcommittees of the Interior Committee that is a crossover that ranchers need to be aware of, the complexion of some of those subcommittees, I believe, is changing, and that complexion is not necessarily toward the benefit of farmers and ranchers, and you are probably aware of that.

I thought I would just reiterate that.

Thank you, Mr. Chairman.

Mr. **Glickman**. Mr. Marlenee.

Mr. **Marlenee**. Mr. Chairman, I have no questions.

I can only say that you both have delivered to this committee a very good piece of testimony that should go into the record, and we should call to the attention of our colleagues when the appropriate legislation is being considered before us.

I appreciate your being concise and the information that you have given us.

Thank you.

Mr. **Glickman**. Thank you both for your testimony today.

We now have a panel of five distinguished persons. John Stencel, president, Rocky Mountain Farmers Union, Marsha Jones, chairperson, National Wheat Commodity, Women Involved in Farm Economics, Dean R. Kittel, executive vice president, Colorado Farm Bureau, Jeanne Davies, Colorado Grange, and Corky Jones, representative of Farm Aid from Nebraska.

We are delighted to have this panel of witnesses. I think we will proceed as you are listed, and the first witness is my friend, John Stencel, with the Rocky Mountain Farmers Union. I have had the privilege of seeing John at many Farmers Union conventions, where I have had the opportunity to either speak or participate in, and you are a welcome friend of agriculture in this country.

We are delighted to have you here.

STATEMENT OF JOHN STENCEL III, PRESIDENT, ROCKY MOUNTAIN FARMERS UNION, ACCOMPANIED BY CHARLES HANAVAN AND DALE COLGLAZER

Mr. STENCEL. Thank you very much, Mr. Chairman, and Representative Campbell and the other members.

I want to welcome you to Colorado and, of course, the State fair.

I have prepared testimony, and I would like to be sure that it is included in the record.

Mr. GLICKMAN. All of your statements will be put in the record. You have my assurance on that.

Mr. STENCEL. I would like to say to the panel that we have created in Rocky Mountain Farmers Union a task force concerning the 1990 farm bill, and I have with me the cochairs, and that is Mr. Charles Hanavan, Jr., of Cheyenne Wells, and Mr. Dale Colglazer, and perhaps later they might have a chance to say a couple of words as well.

I would like to, first of all, say to all of you that last night, I had the opportunity of visiting with Willie Nelson. We as a group thanked him for the farm aid that was given to the Coalition to Save the Family Farm as well as to the hotline.

Today, I would like to thank you, this panel, as well as Congress——

Mr. GLICKMAN. By the way, did you invite Willie to appear before the hearing this morning?

Mr. STENCEL. We talked to him about doing that, but he said he would have another opportunity soon.

Mr. GLICKMAN. OK.

Mr. STENCEL. So, he will be back to talk to you later.

Mr. GLICKMAN. I think he was afraid that maybe we were better singers than he was.

Mr. STENCEL. I would like to take this opportunity to thank you for the passage of the Disaster Assistance Act. It is going to be very helpful to a lot of farmers and ranchers in the three States that Rocky Mountain Farmers Union covers, Colorado, Wyoming, and New Mexico, and our 18,000 members in our three-State organization appreciate the fact that we are holding field hearings in Colorado and hopefully there will be some in New Mexico or Wyoming.

I had the pleasure of appearing before the Sugar Committee just a few weeks ago in Colorado Springs.

If I could quickly, I would like to run through some things, which I think are very important to us in Farmers Union, and I want to do that by telling you, first of all, that our board member in New Mexico, Victor Stout, asked that I relate something to you. We realized that a second crop can be an income producer and that there should not be payment, and I am relating to the understanding that we had as we passed the Disaster Assistance Act.

I think there is a discrepancy floating around as to the way we should interpret those acres or acres that are reseeded following a failed crop, and a lot of New Mexico people have frozen wheat.

These second crops were seeded in many cases just to prevent the soil from blowing away and now, with no credit for the additional cost of planting, USDA has ruled that producers' income may be enough to exclude them from disaster payments.

We would like to make sure that the farmer who is faced with this kind of situation is given credit for the additional expense of planting a second crop and an opportunity to recoup his costs of good soil stewardship.

Producers were told in the beginning that these ghost acres would not affect program payments or program provisions and now, as I said, a number of our members in New Mexico are being told that these ghost acres will count against them. Many of them regard this as a doublecross by the USDA, and I am quoting our members in New Mexico as using those words. We hope that perhaps you can take a look at this problem.

Mr. GLICKMAN. It is a very big problem in my own State, too. The failed acres concept is one that is normally done and the Department, as far as I am concerned, has really stuck it to producers and gone way beyond the congressional intent in this regard. So, we will do our best on it.

Mr. STENCEL. Very fine.

One of the first things I would like to say to you is that I think that we need to take a hard look as we write the 1990 farm bill and put something together that is going to mean income to family farmers and ranchers, and I would like to read to you just a couple of short paragraphs from the Denver Post article on August 3.

It says:

> Farm profits up despite drought. Average farm profits showed a modest increase last year, despite the drought, but fewer farms posted profits, according to a new study by the Department of Agriculture. According to the study, the average net farm income increased by about $350 to $21,300 last year, marking a 1.5-percent increase over 1987.
>
> Average net farm income profits rose in 1988 despite the drought, the report says. However, the share of farms with negative income increased slightly from that of 1987. More than half of all farms, 53 percent, had positive net cash farm income in 1988, which was identical to that of 1986, but down 4 percentage points from that of 1987.

The point I would like to make is: What happened to the other 47 percent of the farmers who have been farming this past year? We wonder about their income, if it is a negative income, how are we really dealing with that problem?

We would like to make certain that as we write the new farm bill, that there is adequate income, and we in Farmers Union continually seek to raise the loan rates as we write that piece of legislation.

We stand for a simplified and more direct program of returns to the goal of assuring producers a reasonable livelihood, by providing price and income protection on a family farm level of production. We stand for the sustainability of family farms, whether we are discussing commodity programs or the best stewardship of our soil and water resources.

Bases should be established by units of production sufficient to meet our domestic export and reserve needs. We need a farmer-owned reserve that can be used to prevent shortages on farm storage that should be paid the same as commercial storage.

A cost saving measure for farm programs would be to target programs to reach only the intended beneficiaries. We would prefer a targeting plan that concentrates on supporting the family farm system of agriculture over a plan that calls for supporting a percentage of all farmers production.

Secretary Yeutter's preferred way to balance the agricultural budget seems to be to reduce farm income, a dollar for each dollar saved in the budget. We do not believe that raising loan rates alone would cause disaster for the one-quarter of agriculture's cash receipts that come from exports.

We believe that low prices are the problem, not the solution. Loan rates should be raised to current market price levels or, at the very least, the Findley provisions should be repealed.

The triple-base idea is, in our opinion, "decoupling lite." This concept will drive market prices lower and encourage greater production which, in the long run, will leave only the producer to have the largest bank account at the start of the program.

The concept of growing a crop and selling it below the cost of production is not the kind of flexibility that American farmers want.

The idea that there are many opportunities in the area of nonprogram crops is a myth. In fact, the profitability of these crops would be shattered in very short order if large numbers of acres are diverted out of the major Farm Program crops.

We support crop insurance, but cannot advocate an end to disaster programs until more coverage is available on more crops in more places. For crop insurance to ultimately replace disaster programs, there must be at least one catastrophic coverage option that performs the same function providing for lost income.

We advocate a permanent catastrophic loss pool and recommend increasing available coverage by raising yield options and covering production costs. Subsidy levels should be increased or at least made the same across coverage levels.

Environmental issues must be addressed in the 1990 farm bill. CRP could be used for land which has a soil type that is too sandy to allow any type chemical use without ground water leaching and for which nonchemical alternatives are not feasible.

Since there is plenty of room left with the original 45 million acres, we do not believe that it is necessary to increase, to overhaul or for county average gaps at this time.

What makes the cost compliance sodbuster and swampbuster provisions effective? It is the threat of a loss of program benefits. Program benefits are removed by decoupling or another similar mechanism that will virtually guarantee that marginal lands will be kept in production.

As I said earlier, we need to simplify the Farm Program, but we do not need to simplify it by eliminating it.

We would like to work with the existing programs by, first, simply making payments based on units of production instead of acreage. This would not only allow USDA to predict program costs with a greater degree of certainty, it would allow farmers to farm using crops in field rotations that make sense for their operation.

Second, we would like to allow producers a one-time opportunity to improve their yield.

Third, farmers should be able to enter into long-term rotations with such crops as alfalfa or legumes without violating sodbuster requirements and without losing base.

More research and education is needed on water quality. There is a need for a balance between incentives and penalties, conservation goals and production needs. We need to develop practical low input and nonchemical alternatives for more commodities, not just to protect ground water and low-farm input crops, but to decrease the potential for pesticide residues remaining in our food.

We need a farm bill that demonstrates the commitment to sustainability.

Farmers Union is equally concerned that the United States is allowing the agricultural export tail to wag the domestic farm policy dog. Export is only 20 to 25 percent of cash farm receipts. Exchange rates, global unemployment rates, weather, and other economic and social factors over which Congress and USDA, our trade negotiators, have no control could easily wipe out the best crop export strategies.

Farm programs are primarily domestic policy tools, and we object to their classification as trade-distorting subsidies. USDA's efforts to administer the domestic farm program established in 1985 as tools of foreign policy has caused an economic decline in rural America and has left Congress working to pass rural development legislation in an effort to revive and repopulation our rural areas.

Secretary Yeutter suggested that taxpayers may not be willing to continue paying high levels of farm subsidies. He may be right. Particularly as taxpayers realize how much of their money has gone to multinational grain traders, who are already posting record profits to help them regain the market share.

While it is true that we have spent more money on farm payments in the last 8 years than in the entire history of farm programs, many of those payments helped farmers to keep paying their creditors during a time when the market value of their crop was being driven down by Government policies.

USDA's failure to understand the willingness of our competitors to fight for markets has led to a tremendous escalation of export subsidy costs. International negotiations should begin immediately in two areas.

First, we must negotiate with debtor nations and the Third World to reduce their debt in exchange for economic reform that will improve their people's standard of living.

Second, for existing markets, international negotiations should take place to achieve long-term agreements on agricultural production and prices; that is, as we at Farmers Union continually talk about, we want fair trade.

There are several other areas which ought to be addressed in the 1990 farm bill, if they cannot be resolved this year. Domestic hunger, rural development, agricultural credit, research into industrial uses of agricultural commodities, extension service activities, grain quality standards, and reform of the Packers and Stockyards Act are just a few.

Farmers Union looks forward to working with this committee on these as well as the 1990 farm bill. We look forward to working with this distinguished subcommittee and the full committee to develop long-term legislation that is designed to protect our vital agricultural industry.

Mr. Chairman, I know that you just returned from the Soviet Union, and I want to take this opportunity in closing just to quote a couple of paragraphs from a recent article that was in the Farm Journal, the August issue of the Farm Journal, and it says, in the headlines:

> We Destroyed Our Agriculture: An Inside Look at Russian's Rural Meltdown.
>
> We destroyed our agriculture, Viktor Lishchenko, a high-ranking Soviet agricultural economist bluntly has told this American reporter. Our farms are disaster areas. The average Soviet cow gives only 40 percent as much milk as the American cow. The Soviet pig eats twice as much as an American pig and takes 50 percent longer to finish.

Using a third more combines, Soviet farms harvest half as much grain as we do and waste a good deal of that. Harvesting damage is about 80 percent of potatoes and 50 percent spoil in storage, according to an article that was in Isvestia this last fall.

The last few sentences that I want to quote from the article are these:

> Gorbachev has proposed a new reform program. It calls for more self-managed farm units.

And I underline more self-managed farm units.

> More food processing capacity for letting the worst farms go bankrupt and for shrinking the huge Gosagroprom organization.

Those are the things that Gorbachev is talking about doing, but the one thing that I want to point out was that they are calling for more self-managed farm units.

So, we in Farmers Union, of course, have always supported the family farm, and we note at the present time that the numbers continue to decline, and since 1981, we have lost 300,000 of our family farmers and ranchers in this country.

It seems to us in our organization that we can put together a farm and food policy that will encourage family agriculture in this country, and we hope that when you write the new farm bill, that you are able to do that.

Thank you very much.

[The prepared statement of Mr. Stencel appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you, Mr. Stencel.

Ms. Jones.

STATEMENT OF MARSHA A. JONES, NATIONAL WHEAT CHAIRPERSON, WOMEN INVOLVED IN FARM ECONOMICS

Mrs. JONES. Thank you.

My name is Marsha Jones, and I am the national wheat commodity chairperson, Women Involved in Farm Economics, WIFE.

My husband and I own and operate a ranch in northeastern Colorado. We produce mainly wheat and have a cow-calf operation. I am involved with all aspects of the operation from financial planning to operating equipment. I share the responsibility of making business decisions with my husband.

WIFE is a grassroots organization striving to achieve prosperity for agriculture and the Nation through education, communication, legislation, and cooperation. I am pleased to have the opportunity to address the committee today on behalf of WIFE members, and I thank you for traveling to Colorado to hear our testimony.

I have a simple request of the committee, and I read in press releases and hear on the news subjects concerning the Food Security Act of 1990 referred to as the farm bill. You and I know the link between food and farm. The majority of the population in this Nation does not understand this.

We are the industry you have chosen as the vehicle to secure food for this Nation. If the committee and their staff would wipe the words "farm bill" from their vocabulary and refer to this act as the Food Security Act of 1990, maybe, just maybe, the general population would begin to understand this. If not, they do understand food and would know that this is a food bill, just not a farmers' bill.

WIFE endorses the spirit of the current Food Security Act in its objective of maintaining an economical and abundant food supply for the American people while providing an adequate income for producers.

We have seen a great reduction in our wheat inventory the past year and an increase in our price. However, along with the increase of our price for wheat came an increase in our cost of production. There does not seem to be a correlation between the price we receive, the cost of production, and the price we pay for local bread in the store.

It seems that the American farmer is always trying to catch up. When the price of wheat is down, production costs are high. When the price of wheat is up, production costs are even higher.

WIFE supports a continued program to ensure producer stability while developing favorable marketing conditions. With implementation of the Food Security Act of 1985, a percentage decrease of target and loan prices yearly. Target prices have decreased yearly, but not the cost of production.

If we continue on with the same act and just do some fine-tuning to the program, the target price must increase the cost of production. WIFE supports maintaining the Export Enhancement Program. We feel this has been a contributing factor to the reduction of our inventory.

Along with the drought conditions of the past year, the inventory is not a contributing factor to decreasing food prices. A consistent and constant normal crop acre is necessary to implement an efficient, fair, and realistic set-aside program. Each farmer should be able to divide his NCA into base acres that best suit his land and farming practices.

In order to diversify, a farmer should be able to raise nonprogram crops without losing NCA. Many new terms are being used in developing the Food Security Act of 1990 which may have a wide variety of meanings. Therefore, WIFE supports a concept of the historical relationship between the farm income support programs and agricultural production.

WIFE will continue its pursuit of equity, including legislation related to the person status, for eligibility for women of program payments.

An ASC regulation states a husband and wife will be considered one person. This unfair regulation should be changed in the Food Security Act of 1990 or separate legislation. We wonder why we are denied person status if we are contributing as much to the farm operation as other individuals in a corporation or partnership.

When I go to the ASCS office to sign our farms into the program, I must have power of attorney for my husband to do so, but if he happens to be the one signing our farms into the program, he does not have to have my power of attorney. If we are considered one, my signature should be as good as his.

We are not asking that every farm woman have a person status. We are asking that if a woman meets the qualifications for a person status, she be given that status. We ask your support and help in correcting this discrimination.

We thank Mr. Marlenee for his assistance in developing legislation to correct this problem.

On behalf of WIFE and its wheat producing members, I want to thank you for giving us the opportunity to voice our concerns and our views with you.

WIFE members are living in rural America and on the farm. We see the problems and experience them day to day. We see that the decisions made at our Nation's Capital affect our day-to-day existence.

Thank you for traveling to Colorado today to listen to us.

[The prepared statement of Mrs. Jones appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much, Mrs. Jones. We appreciate that.

Dean Kittel, Colorado Farm Bureau, we are delighted to have you here.

STATEMENT OF DEAN R. KITTEL, EXECUTIVE VICE PRESIDENT, COLORADO FARM BUREAU

Mr. KITTEL. Thank you, Mr. Chairman.

Thank you members of the committee.

My name is Dean Kittel. I am the executive vice president of the Colorado Farm Bureau.

It is a pleasure to welcome you to the Colorado State Fair and to have the opportunity of sharing our thoughts with you. We express these ideas on behalf of the 16,400 family members of the Colorado Farm Bureau.

Last week at this fair, it was Colorado Farm Bureau's privilege to be a part of an annual ceremony to present plaques to representatives of 26 families whose farms and ranches have remained in the same family for at least 100 years.

In talking to these people, the thing that impresses one is the diversity and the ingenuity that are part of these operations with a record of survival in a changing agricultural scene.

Today's producers are those who survived by effectively using capital management and labor combined with modern tools for purchasing and marketing. What would these modern day producers like to see in the 1990 farm bill? I will try and list what I perceive to be the basic ingredients from an analysis of their 1989 policy statement.

All commodities are interrelated and changes in supply and demand or price of one affects the other. Program policies should not be developed at the expense of nonprogram crops. We have a lot of members who depend in whole or in large part on hay, potatoes, dry edible beans, malting barley, and fruits and vegetables, as the source of their income.

They are, therefore, opposed to programs like the whole-herd dairy buyout that interfere with the supply and price of beef. For the same reason, they opposed haying and grazing on CRP acres. They feel no haying and grazing should be allowed on set-aside or rotated acres during the principal months of the growing season, except in areas of declared disaster, and I would just add to that, that we strongly support others who have testified to the fact that the real primary problem in the area of haying and grazing is this conflict between States. The fact that once one of the dominoes goes down, politically, almost every other one has to go down without regard to whether it makes good economic sense. It just is a tough political stance to take.

Producers hope the Federal Farm Program will continue the present trend of clarifying rather than confusing market signals. In today's world markets, we cannot help our industry with programs that price us out of that market and thus lead to burdensome carryover stocks. While we are intrigued with the idea of decoupling, we would oppose it if it incorporated provisions that allow producers to raise nonprogram crops without losing benefits.

While such programs are touted as increasing producer flexibility, they will surely have the end result of financially destroying nonprogram producers and that still is about 60 percent of U.S. agriculture.

Congressman Stenholm is to be congratulated for exploring new ideas that might reduce the budgetary impact of these programs, but we deeply fear the triple-base program would do as much economic damage as the suggested decoupling programs which would drive producers into nonprogram crops.

In our opinion, the 1990 farm bill can serve agriculture best if it is finetuned to reduce costs, eliminate burdensome regulations, and avoid transferring burdens to nonprogram crops.

We thank you for coming to Colorado and for the opportunity to make a statement about the 1990 Farm Program legislation.

Mr. Chairman, I have added, to the back of my testimony some materials that I gathered from a national committee that I attended looking at the 1990 farm bill, when we talk to Congress, as representatives of producers, about the business of the 1990 farm bill, I am reminded of the hobo that came to my mother's door in 1934 and handed her a small button that he found and said, "Ma'am, I found this button. I surely would appreciate it if you'd sew a shirt on it."

And we recognize that while you are out here at these hearings going around the Nation that you are going to go back feeling a little bit perhaps like you have been approached by people who are asking you to put a shirt on their button, but we want to assure you that at least as far as our members are concerned, we really appreciate the movement back to where the market is clearing things.

I would simply add a personal recommendation that you be very careful when you draft the 1990 farm bill that you do not give credit it does not deserve. There are a lot of other factors that have occurred in these 5 years that are surely not related to what we did with national legislation, but, rather, to other factors.

I thank you, gentlemen.

[The prepared statement of Mr. Kittel appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you, Mr. Kittel.

Mrs. Davies.

STATEMENT OF JEANNE B. DAVIES, MASTER, COLORADO STATE GRANGE

Mrs. DAVIES. Thank you, Mr. Chairman.

Representative Campbell and Representative Marlenee and other committee members and Representative Brown.

We are really pleased that you have taken the time and effort to come to Colorado to hear our voices.

I am Jeanne Davies, master or president of the Colorado State Grange.

The Colorado State Grange was established here in 1874, 2 years before the State was determined. So, we have been here a long time working in rural Colorado.

My husband and I and our family are ranchers and farmers in eastern Colorado.

The policies of the grange are established at the national session, but those policies are debated at the local level. So, when the grange speaks, it is from the farmer and the rancher who are the producers.

The grange supported the Food Security Act of 1985 because we felt parts of that act would help to meet short term objectives of the agricultural sector across this Nation. There were several parts of that act that would also clear the way for changes in the international trading of agricultural commodities.

The grange's short-term objectives for the Food Security Act of 1985 were to stabilize the farm economy, to increase U.S. exports, and to prevent the accumulation of commodity stockpiles.

We feel that improvements were made in these areas through this act. A new food and farm act must build on the positive aspects made possible for agriculture in the 1985 Food Security Act. A new farm bill must strengthen the agricultural network in this Nation by generating a positive working atmosphere for the commodity producers, for agribusiness that supports production agriculture, and for the consumer.

These segments can coexist in a mutual beneficial environment. The grange supports an alternative for future commodity programs. The marketing loans is a fairly new concept for the commodity loan segment by which farmers can place their crops under loan with the Commodity Credit Corporation would repay their loans at the original loan level or at a level that has been determined by a set formula, a domestic or world market crisis, whichever is lower.

The market loan is a recourse loan that must be paid back. We feel some of the benefits of a marketing loan program would be that the U.S. commodities would be competitive on the world market. The repayment formula would maintain an adequate income support for the producers. It will reduce the need for cumbersome supply management programs, but when such a program is necessary, it removes the incentive for our competitors to expand their production because the United States will remain price competitive.

The marketing loan will avoid the Government's costly program of storing surplus commodities which can ultimately reduce prices. A marketing loan program for wheat, feed grains, and soybeans could be more effective than the modified version of the marketing loan now in effect for cotton, rice, and honey.

The program would allow our prices to fluctuate to the world price levels. It would force both customers and competitors to buy and sell subject to the market.

Another important feature of this program is the targeting feature, which limits the amount of any crop that any one farmer can place under the Marketing Loan Program. That is, it would limit the amount of any crop that any one farmer could place under the Marketing Loan Program. This would help control costs of the Marketing Loan Program as well as give the medium-sized full-time farmer an economic incentive to remain on his land.

The grange has been supportive of the targeting of Farm Program benefits to small- and medium-sized family farms for over 10 years. The current structures of commodity support programs provide support to every unit of production even when that unit goes beyond the point of fulfilling domestic consumption and world demand.

We have required all farmers to participate in mandatory acreage set-aside programs and, in some cases, have encouraged the farmer not to produce any units of commodity for which his farm is best suited. The grange believes that the medium-sized family farmers should receive targeted benefits from the Government programs. There are many farm families that would prefer to make their income on their farms, producing ag commodities for needed market, rather than having to depend on off-farm income.

The grange feels that major changes in the Food Security Act of 1985 do not have nationwide support. We would like to see the addition of the Marketing Loan Program extended to include wheat, feed grains, and soybeans. Also, we would like to see the targeting as a feature of the new farm bill.

We feel these additions would enhance the farm bill for most sectors of agriculture and for the consumers.

Thank you very much for letting us voice these views.

[The prepared statement of Mrs. Davies appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you, Jeanne.

Mr. Jones, if you would like to continue.

STATEMENT OF CORKY P. JONES, REPRESENTATIVE, FARM AID,

Mr. Jones. Yes, sir, Mr. Campbell, Mr. Marlenee, Mr. Glickman, and Mr. Brown.

I do appreciate your being here today. I am kind of wearing a dual hat today. I am a farmer from Brownville, Nebraska. My name is Corky Jones. I am the immediate past national president of the American Agriculture Movement. We are farmers. My entire income is coming from the land. So, I have three sons farming in the operation with me. Grandsons coming on the line, which makes us six generation farmers in Brownville, Nebraska.

I am proud of that. I am proud of the system that we have in this Nation, and I am proud of the system that we have in this Congress that comes out, reaches out into the country to listen to the plea and the cry of we, the populous, because there are many, and most, cannot go to Washington, DC, and put forth what they feel today or in the future because they cannot afford it.

Today, I am also wearing the hat of Farm Aid. Farm Aid was implemented by Willie Nelson. It has been really a great help across this Nation. Really a great help for farmers and ranchers, really a great help for the economy of rural and urban America.

I spent the last two evenings in part—a lot with Willie Nelson. He asked me if I would represent Farm Aid and his findings as he traveled through the country in the entertainment business. That, coupled with my travels as past national president and still speaking for the American Agriculture Movement and for the producers across this Nation, is why I am here today.

I am about 700 miles from home. I believe in what you are doing, and I believe in what has to be done. That is why I am here.

In talking and visiting with Willie Nelson, the outright question, Willie, what are you finding as you travel across this Nation? A direct quote:

> Corky, I am finding the same thing that we have found in the past several years. That contrary to many and the statements of many and the popular belief in print, in the headlines, farm crisis is over, the problems have been solved in agriculture.

He says:

> I am not finding that at all. I am finding people that are still in the status of not even setting a good plate at the table. I am finding churches and communities that are having trouble keeping the doors open. I am finding schools that are having problems supporting and educating their youth. Businesses are going to the wayside by the multitudes because we have farm agriculture not with a profit.

And in doing the same thing, as I travel, I am finding exactly the same thing. Gentlemen, the crisis is there. The crisis that is needed to be corrected and you are that correcting agent.

We will hear many more testimonies, and we will hear many more testimonies that will say to us and to you that the crisis is over and that we need to lower our prices to be more competitive. That is asinine to even think that. If we are looking for budget exposure control and we are looking to lessen the expense to the taxpayers, to quiet the cry of the taxpayers saying we are subsidizing farmers when really they are not, but it does appear that way.

Then, let us do it this way. Let us raise the loan level up to cost of production, lessen budget exposure. Let us look at our borders.

Let us look at our borders and look at other countries and what they are doing.

I have heard repeatedly from leadership and other organizations that we cannot restrict imports into this country because it would make us a protectionist Nation. That we cannot price our commodities to where we have a profit because we would not be allowed to sell, they would not buy.

I submit to you that they will buy. The same countries are wrecking their economies to subsidize, highly subsidize their agriculture because we set the price in America. We could set the price at cost of production or above cost of production with the loan levels, no expenses at all to the taxpayers. Let the purchaser pay that price whether that purchaser be a processor, a cattle feeder, a trader or Russian, Korean, or Japanese. They are the ones that should pay the price.

We look at the economy of this nation and where we are at and whether the farm bill has worked or not. Let us review the facts. The past 8 years, we have taken this Nation from the largest creditor nation to the largest debtor nation, and the real wealth of this Nation is agriculture. It does not matter whether it is in Brownville, Nebraska, where we raise hogs, cattle, corn, and soybeans, or whether on up into the northern part of the country, where it is cattle, strictly cattle, wheat, honey, wool, all agricultural commodities are suffering because we do not have a fair price.

The economy of this Nation is suffering because we have not got a fair return on the real wealth provider, the product of production agriculture. It just makes common sense. No one, no factory, the light company, the telephone company cannot continue to operate below the cost of production, and, yet, that is what we are doing.

The 1985 farm bill shows an appearance that it has worked, but how has it worked. Portions of it have. The credit section has worked, and now we are seeing the same people, these same people, that were saying, well, we cannot put a price to it, that supply management cannot be a factor, but mother nature, mother nature, in her own self, put on the wall in Braille, and I hope leadership that is here today understands what this means, mother nature put on the wall in braille that supply management does truly have an effect on price.

We had a drought. The prices came up until, once again, the huge corporations took control and drove them back down. If we had the free market, that so-called free market that does not exist, if it really did exist, this would not happen. Supply management started, but there was just a few, a few of the farmers, probably less than half, that were able to show a profit with that supply management because those that produced a field of corn and those that produced a crop because of the drought are the lucky ones. They got a price, a fair price, probably still not the price that it was deemed necessary, but a fair price because the other farmers did not raise anything.

I am asking the gentlemen that are here today, leadership, the policy writers for the 1990 farm bill, to look at how mother nature led us in the right direction. Supply management is an absolute must, but let us make it through legislation. We have seen what happens when the big corporations get control. We have seen what happens when the Board of Trade rattle and shook and the wrong people were in the short position.

So, the same people that allowed one entity to purchase more than what was allowed for the Board of Trade started hollering foul when they were in the wrong position. I think this committee and the Agriculture Committee in the Senate, also, needs to look real sharp, look real hard at what is happening in the Chicago Board of Trade.

I am proud to be one of the protesters of a few years ago that protested policy and what was going on. Trading, inside trading, trading property that did not belong to them, and this is exactly what 40 some people have been accused of today. They call this crazy. They call this absolutely insane, it could not happen, because they got their own police force.

Well, that is just like me riding with you and I say do not worry, drive 90 miles an hour, I will be the police force out here on the highway. The fox watching the chicken coop. It is not going to work. Think what an economic shock this has been. An economic shock not just to start raising farm products, but to the whole economy of this Nation because if supply management would have fallen in place and, really, the supply-demand theory would have fallen on through after there was truly a shortage instead of the paper shortage saying we created this back and put it back up, we would today have $8 or $9 soybeans. We would have $3.5 to $4 corn. We would have probably $5 and $6 wheat if supply demand managed it, but it is not existent. It does not work.

We need supply management with legislation. We need to stop the cry of poverty because of agriculture bringing all modes of livelihood to poverty level, and across this Nation, Willie said the same thing that I have seen.

There are more problems in families across the Nation, not just schools, not just the churches, but we have seen child abuse, family abandonment, murder, suicide, divorces, and high usage of drug and alcohol. It goes with poverty. Poverty, because the real weapon of this Nation has been deprived by faulty failing legislation of the farm bill.

One other sector that we have hit on, I asked Willie about it last night, too, and he has also heard this. I am from Brownville, Nebraska, the State that is host site for a radioactive waste dump, a low-level radioactive waste dump. It has probably divided the community of Omaha, Boyd, and Knuckles County more than even the Civil War. We have people that believe that will be the answer, that will be the solution to the economic woes, the economic disaster that has been brought about by failing farm legislation, by failing foreign trade policies that have really destroyed the credibility of this Nation, but at the same time, placing chemical waste dumps, toxic-burn type dumps, and radioactive waste dumps in areas where they should never be placed, American Agriculture Movement has taken a position several years ago, and people say why, you are a farm organization, why are you getting involved in environmental issues, it is much easier to see today than it was a few years ago, but as a food and fiber producer, a producer of livestock, feed grains, edible food, need several elements to make that happen.

I need clean air. I need clean soil. I need clean pure water. These sites that are chosen in the State of Nebraska, which is the host of five other States, all three sites are near a populated area. Two of the three have wetlands right on the very site where they are at. Average rainfall is 34 inches in my area. We are taking good productive land out of production. These elements need to be also adhered when we write a farm bill. Maybe it should not be in a farm bill, but we need the elements and the environmental issues.

If Government says we must be having pure water, we have to reduce anhydrous. We have to reduce chemicals, and we better be looking at where we place the dump sites. Any of these three or four categories should never allow it.

We are talking about safety. We are talking about clean food. One other element that I was involved in just recently when we are talking about so very, very critical, producing food and fiber that is free of chemicals and safe, I was involved in a protest of imports, imports of fruits and vegetables coming out of Mexico.

I believe we need the trade, but I believe that we need to also look at safety and the hazards of safety not being implied. We are trading with Mexico or importing from Mexico, of the other countries, too, but definitely Mexico, fruits and vegetables that are still using the chemicals that have been hazardous and cancer causing, proven to be cancer causing, hazardous to our health, and we are importing them into this country by the trailer load.

I personally looked at 87 trailer truckloads at Nogales, Mexico, border. Out of that, Food and Drug just took samples of two, two. Those trucks were loaded and went on in to the United States for disbursement. Asking about why only two, they did not have the staff to do anything else. What happens to the samples of the two they took? They are going to send that on into Los Angeles; in 7 to 9 days they will get a report. In 3 days, in 2 days, in 1 day, most of this fruit and vegetables has been on in and across this Nation and we never be able to track it.

That is why we need another piece of legislation. If we cannot do anything to at least enhance the numbers of people that are on the borders, then we need to at least come up with legislation, saying point of origin should be labelled on every box, every can, every crate. Price for what we produce is the answer. Price, a fair price, not at the expense of the taxpayers.

It has been a pleasure of mine to be here. I am also really feeling good about standing in for Willie Nelson, who apologizes for not being able to be here. He still made the statement last night and told me we are going to have to have another farm aid.

Dan, I think you will be getting a notice that that will be held in Washington, DC, or at least a preliminary one some time in March, and the people across this Nation should thank Willie and friends for exposing the fallacies and to expand out and say here is what we are really finding across this Nation, because I could have had a press conference there last night or I could have had a press conference in Imperial, Nebraska, where we also met with Willie and had the press conference with Bob Carey, and there would have been nobody there or practically no press.

We need to be thankful we have the entertainment field to at least have access to the press to tell the story that needs to be told.

Thank you very much.

Mr. **Glickman**. Thank you, Corky, very much.

Thank all the witnesses.

Mr. **Jones**. I must add one thing. I apologize.

I did not have, as usual, anything typed. What you heard today came from here because that is where it is at.

Thank you.

Mr. **Glickman**. You are welcome, and we have had enough experience together, so I know that, and nobody has the sincerity or convictions that you do, Corky.

Let me ask a couple of questions. Does anybody here believe that production costs are going down?

Mr. **Jones**. Absolutely not.

Mr. **Glickman**. Does anybody here—tell me if you do. I do not want to intimidate you. Are production costs going down? Cost of fertilizer, feed, equipment, seed, you name it. Have we started to see a general reduction in production costs?

Mrs. **Jones**. Mr. Chairman, in 1985, my husband and I, we were paying 10-percent interest on an operating loan. In 1989, we are paying 12 percent.

Mr. **Glickman**. So, the interest rates have gone up, and in terms of the raw production costs, have they also gone up? Anybody say they have not gone up?

Mr. Kittel.

Mr. **Kittel**. Well, you have to identify the period and what product you are talking about. We have had some reductions in some of the petrochemical kinds of products from a period awhile ago when they had huge increases, but as a general rule, the cost of production in agriculture follows the inflationary trend of the Nation.

Mr. **Glickman**. OK.

Mr. **Kittel**. Interest rates have varied. There have been some who have gotten production loans lower than at other times, but certainly it is not significantly reduced.

Mr. **Glickman**. I guess my point is that Secretary Yeutter has made a conscious effort to indicate that we might accelerate the reduction in target prices, and at a time when production costs are not going down, that will result in a significantly negative impact on most farmer income, and I just think that at least I speak for myself and others that are concerned about that and will resist efforts to—if we keep the same model in the 1990 farm bill that we have in this farm bill, that we will resist efforts to follow that trend.

Obviously, we have fiscal responsibilities and fiscal guidelines to deal with, but I think the Secretary may be trying to pull us down too fast and too dramatically, and I just wanted to get on the record that at least nobody here sees an appreciable reduction in expenses that would roughly parallel an additional 10 to 50 percent reduction in target prices, which is some of the talk that I have heard the Secretary has been dealing with.

John, do you have a comment on that?

Mr. **Stencel**. Yes, Mr. Chairman, let me just say that we applaud your efforts to make certain that the target levels are not lower at this point in time, and I would just like to add that I really believe that the Secretary is not looking out on behalf of the producers in this country. He seems to be looking after a lot of the needs of the very large grain trade and other corporations, and when I look at all the things that he has been doing recently, very seldom does he speak out on behalf of the producer or does he put things together in behalf of the producer.

Of course, I represent producers, and I am concerned about that, and I wish that the Secretary would take a little more time and look across the board at the needs of all the segments of agriculture. When he became Secretary, everybody said he is going to be a great Secretary. Well, maybe he is being a great Secretary for some segments of agriculture, but certainly not for the producer.

Mr. **Glickman**. Well, I think he is an honorable man, but I think that his judgment on the whole issue of individual family farm income is skewed, and from my own perspective, it is skewed too much toward lowering farm income.

It may be done with the guise of making us more competitive in the world markets, and I am not denouncing the motive, but I just think it may have a significantly harmful effect on family agriculture, and I think Congress will try to resist that.

Now, let me make another point. Again, I think you catch me too close to my trip to the Soviet Union, and, Mr. Stencel, you referred to this in your speech, when you come back from there with all sorts of conflicting ideas, one thing I came back from there was that they are moving away from centralized management and centralized government controls, and the head of their Council of Agriculture Ministry, he says, "We have not enough supply of grain and too much supply of orders and decrees."

I thought that was a pretty good statement. I am reminded of the story. I told them this story about the young guy who graduated from high school, went to go into the chicken business, so he bought 100 chickens and he planted them in the ground, feet first, and they all died, and he bought another 100 chickens, planted them in the ground, feet first, and they all died, then he bought a third 100 chickens, totally buried them in the ground and they all died.

So, he wrote a letter to the Secretary of Agriculture. It could have just as well been a letter to the General Secretary of the Soviet Union. He said, "Here, I planted 300 chickens in the ground every which way you can and they've all died. Can you please tell me what I can do. I want to be a productive farmer in America."

The Secretary writes back and says, "Thanks. I'm so happy that somebody young like you wants to be in agriculture, but before I can give you any advice, would you please send me a soil sample."

And it strikes you that the Soviets have had this problem, and I guess what concerns me a little bit, too, is that I want to get price up, too, Corky, but I also do not want to get so much Government regulation into people's personal lives in agriculture, and we have even had that in the existing farm bill, too, that we are taking the incentive system out of agriculture, which works pretty well.

They told me, the Prime Minister of the Soviet Union, No. 2 man, said, "We want to change our economic and our agricultural system. It has been a classic disaster because of centralizing planning", and he says, "so, we want to give farmers every kind of option they can. If they want to go collective farming or they want to go individual farming or family farming or leasing farm or you name it, we're going to try it."

Sounds like a little bit like the old pragmatism of America. I do not know if it is going to work or not. Then, he said, "But we got the interesting", he says, "the root of the problem is not the form of agriculture." He said, "The root of the problem is for 70 years, people have been comfortable with the system where they have had no incentives." "So," he says, "people have come up to him and said why should I change? I'm perfectly happy this way."

And I guess one of the things I never want to get away from in American agriculture is that unique system of incentives and flexibilities, so that people can move and shift and be creative and have them be masters of their own destiny.

The other thing he said is, "We want our farmers to be masters of their own farms. We don't want the government to tell them how much they can produce. We want them masters of their own farms." I do not know if they can do that or not, and their system is different than ours, but it did kind of strike me that they have finally recognized that the system, an economic system without incentives just does not work. It does not work, and as inefficient as ours is, it is so much more efficient than anything that they have even contemplated on.

I certainly do not want to draw any parallels from what they have done because I do not think that they are going to be very good leaders for the future.

Yes, Corky.

Mr. JONES. We are getting signals out here that the GATT, and we are going to write the farm bill at GATT, I hope and pray that that does not happen. Is that not what we have a Congress for? Is that not what these field hearings are for? But, yet, we continue to get a strong signal that our Secretary of Agriculture is going to write the farm bill at GATT negotiations.

Mr. GLICKMAN. I would say that he has some desire to do that, but we told him do not get yourself in an embarrassing position because we are not going to ratify just what you did at Geneva just so that we make the rest of the world happy. We will do what is best for the domestic producers of food and fiber and not just to make other folks happy.

A couple of quick things and then I want to move on. I think, Mrs. Jones, your point on this person definition, your efforts have been splendid. I thought my colleague, Mr. Marlenee—you talked about how sexism has permeated the Department of Agriculture's policies, that a wife was secondary to a husband. That is the basis on which they make those judgments, and that is not true at all. I guarantee you, and if they have been the reverse and if they would have said that the wife was the prime person other than the secondary, I am not sure the Department would not have changed their philosophy very quickly.

So, I applaud you on that.

Mr. Kittel, I also appreciate your views on triple-base and the tillable acreage base. I think we ought to move for more flexibility in next year's farm program, but we are going to do it in a sensible way, and there are some parallels to what we have done in the past that I think we can do.

We do need to let the corn growers have the option of growing soybeans, if the market situation dictates that, without losing their base and there are a lot of things that we can basically do which I think you talked about.

And, finally, Corky, I would say that this year's Commodity Futures Trade Commission reauthorization, we are going to mark it up next week, for the first time, you have been calling for this for a long time, has criminal penalties for insider trading, prohibits dual trading. So, the broker cannot trade for his own account as well as for a customer. These are a lot of things the futures industry has resisted for years, and we do have it in this bill, and it should help to restore some integrity to these markets, which we so desperately need.

Now, I have finished. I am going to yield to Mr. Campbell.

Mr. CAMPBELL. I have no questions, Mr. Chairman. We are just about at the end of our witnesses. Maybe I would like to make a comment or two, though.

We are certainly——

Mr. GLICKMAN. Excuse me for 1 second. I am sorry.

We have the commissioner of agriculture from the State of Wyoming here, Mr. Don Ralston. We appreciate very much your coming down today.

Go ahead.

Mr. CAMPBELL. We are not out of the woods. Certainly, people in government, I guess, share some of the blame for the mistakes we made in the agriculture policy, but as I look around in my limited tenure in office, I think that there is plenty of blame to share, and part of it is on, certainly, the backs of organizations, too, such as you folks, because it has been my perspective in the past that too often, we are trying to write some kind of agricultural policy, we have a breakdown of groups in which they oppose each other's ideas all speaking for some segment of the agricultural community.

I talked to Jeanne about this a number of times since I have always felt the grange was sort of the moderator between them. I think we are beginning to see a change in that as we recognize more and more kind of common adversaries in the international trade market, that we have to pull together, and we have to kind of put aside some of our differences as agricultural groups and associations and recognize that if we as legislators just get kind of jerked back and forth between all the different beliefs in the agricultural community, it is pretty hard to find some kind of common goals and common solutions to problems we all face as Americans.

I think I am beginning to see that turn a little bit in agricultural groups working together in trying to find more communication between them and more common goals. Certainly, we are not ever going to be able to pass legislation that mandates somebody in some foreign country to do something to help our agriculture. We used to be the undisputed leader, and when we would make a law in Washington, DC, that would kind of go out like a rock thrown in a pond and everybody in the world would feel it. Well, it does not work that way any more. A lot of times, we are on the receiving end of those ripples instead of on the end of it that makes the ripples go out, and that makes it very complicated.

But there is no question in my mind, we have to start looking at agriculture in other ways than a vacuum. We rarely network it with foreign policy or with social policy or economic policy or import policy or any other kind. We seem to be going off in different directions too much, and I think a number of us recognize that.

It is all related, and the future is going to be determined, I think, by our ability to recognize that relationship and set a broader common kind of a policy that is going to benefit our whole Nation.

In any event, I certainly appreciate all of you coming. I know most of you personally, I have dealt with you for a number of years, and I know that you are tremendously interested and motivated to try to make it a better world for us and certainly for our farmers and our ranchers, and I appreciate all of you coming.

I also appreciate my friend, Mr. Marlenee, coming down from Montana and certainly you, Mr. Chairman, and my friend, Hank Brown, for dropping over, too. Thank you.

Mr. GLICKMAN. Thank you very much.

I would say it is rare when you get four Members of Congress at one hearing in August. It is rare when you get four Members in Washington at one hearing to stay, and, so, I think that is a tribute to Mr. Campbell that we would have had that happen.

I call my colleague, Mr. Marlenee.

Mr. MARLENEE. Well, I might yield to my colleague, Mr. Brown. I am going to have to take off, if I might. Go ahead, Mr. Brown.

Mr. GLICKMAN. Sure. Mr. Brown.

Mr. BROWN. Mr. Chairman, let me just extend my thanks to you——

Mr. MARLENEE. I may have to rebut something that he has to say.

Mr. BROWN. My thanks to you and Congressman Campbell for your leadership in this area and for calling this meeting.

John, I particularly appreciate your observation about the Soviet agriculture and their new-found focus on local management, and it does square with your long-espoused interest in the family farm, and I particularly appreciate over the years your interest in focusing our farm programs on family farms.

Dean, I cannot help but feel, and I say this to you because I would appreciate your comment on it, I cannot help but feel that what we have had in the past has been primarily, not totally but primarily, a series of farm programs that have focused on making prices as low as possible. Not as low as possible, but focused on low prices, that the money we put into the farm programs often has been designed to aid the consumer rather than the producer.

I would appreciate your thoughts on that subject.

Mr. KITTEL. Well, I do not think anyone who represents producers would argue with the fact that farm programs have generally resulted in being a cheap food policy. I have been told, and I have no way of knowing, but, historically, I have been told that at the beginning of the Great Depression, the decision was made that rather than try to feed the masses of poor, it would be simpler to have a program that kept food prices cheap, and I suspect out of the basis of that has come really a policy that has caused that to happen.

Certainly, we are not—when we talk about keeping support levels low, we want the price system to be so high that the support thing becomes meaningless. That would be the right kind of a situation in a market economy, but you just cannot deny the fact that if you get support prices too high, then you must have very rigid production management systems or you bury yourself in food in this country with its available technology, and especially with the free flow of capital from one to the other and then the complications that come out of the tax bill.

I do not sit here and tell you fellows that you have the easiest job in the world, but we do expect you to come up with the best bill.

Mr. **Brown**. We can guarantee you we will come up with the best bill that we think is in our mind, maybe not the future, but I am encouraged by some of the progress, not all of it.

I am not convinced we have moved away as a Congress from the cheap food policy and toward a producer policy, and I must say I continue to think that some of our biggest problems lie in the foreign trade area, with the incredible discrimination American products receive and frustratingly the lack of response of our Government to protect it.

I was one who felt, I know Corky has some concern about our current Secretary of Agriculture, and if you had asked me to name a popular Secretary of Agriculture, I would have to think for awhile, but in his role as our Trade Representative, I thought he made some progress for the first time in a long time, and I guess my hope is that while we have a farm bill this next year that is a plus, that we an even more aggressive effort on the trade side because they have a variable import duty in Europe for the Allied PC or other artificial restrictions they are paying, and for us not to respond strikes me as a very foolish long-term policy.

I understand why they stand up and try and protect their markets. We could debate whether that is good or bad, but I understand why that happens. What I do not understand is why we have not been willing to fight for our access to those markets, and I do think, maybe the chairman would disagree with me, but I do think that we are slowly, painfully beginning to get people in Washington to think about that.

I am not sure it has generated the kind of policy pull you need, but I do see at least some modicum of progress.

Mr. **Glickman**. Well, there is no question that in terms of us filing these major trade actions under the last trade bill against Japan and I do not know who else, Korea, a few countries, President Bush at least for the first time recognized that Congress meant business, and we did not give him a lot of flexibility, like we have in the past. We said he had to do it.

Well, listen, we thank—oh, Mr. Marlenee.

Mr. **Marlenee**. If I might, Mr. Chairman?

Mr. **Glickman**. Yes, absolutely.

Mr. **Marlenee**. I may be in the minority, but I do not like to be overlooked, particularly in this community.

Again, let me say and emphasize how important it is to have a Congressman that has practical experience. There are not many agriculturists on the Ag Committee or in Congress, for that matter.

One of them, of course, is Mr. Campbell, and, of course, another one is Hank Brown. Hank has an agricultural background, and myself, I am still an operating farmer and rancher, a producer. I am glad I am a producer in that segment at least.

Mrs. Jones, if your husband does not pay your income tax, what does the Internal Revenue Service do to you?

Mrs. **JONES**. We have not paid our income tax.

Mr. **MARLENEE**. What would you suppose?

Mrs. **JONES**. I suppose I would be liable for that tax.

Mr. **MARLENEE**. Yes, and if you sell a piece of property, what does the—what are the legal requirements on signing the deed? Even if your name is not on the deed.

Mrs. **JONES**. My signature must be on it.

Mr. **MARLENEE**. Your signature is required.

Well, the point is that you are a full partner, and I see no reason for the U.S. Department of Agriculture should not treat you as such in an operation, recognizing you for the same benefits as a partnership, any other partnership, that is established.

So, it was my pleasure to help introduce that legislation that was largely brought about, that effort was largely brought about by your involvement with Women Involved in Farm Economics. So, I congratulate you.

Mr. Stencel, you must be an old rascal. Almost as old as I am, but I have not heard the term "ever normal grainery" for some time.

Mr. **STENCEL**. Well, you must realize that Secretary Brannan is still an active member of the Rocky Mountain Farmers Union at 87 years of age. He still participates in our meetings and we still have good discussions about farm policy.

Mr. **MARLENEE**. Every normal grainery dates back to the 1930's, does it not?

Mr. **STENCEL**. Yes, that is where it began.

Mr. **MARLENEE**. Something like that.

Mr. **STENCEL**. That is correct.

Mr. **MARLENEE**. Do not shake your head, Mr. Kittel. You will identify yourself——

Mr. **KITTEL**. Well, I am older than John, and I admit it. Just because I have more hair does not mean I have not aged.

Mr. **MARLENEE**. I think we have missed a couple of important points here at this meeting and some of the panels have. There are a lot of things that affect agriculture and the well-being of agricultural producers that were not mentioned here.

I think we would be remiss and Members of Congress should be more aware of investment credit tax policies. Tax policies affects small communities of agriculture as much as any farm policy that may have been established through an agricultural act, but we have taken away investment credit. We have taken away the ability to utilize income averaging. We go through a drought, and all of a sudden, we get a good crop, an extra good crop, a good price, no opportunity to offset that with some income averaging against the drought years.

They have taken away the incentive to invest or reinvest in small communities by doing away with investment credit cap and changing capital gains. That is important for agriculture.

But the tax committees of Washington must be targeted by people in agriculture. I think it is extremely important. Then, we could go on at the regulatory end of things, which is having a detrimental effect in agriculture. Not long ago, Federal and State governments went through and said, bury all your fuel tanks. Remember that? You have to put them under ground. Now, they are coming along and saying you have to dig them up, you have to test them, the cost is exorbitant, the service stations that we do our business with out here cannot even get liability insurance to cover the liability.

As a result, banks will not touch a loan for a service station community. We are moving rapidly—or for a service station business. We are moving rapidly into the area of making it impossible for some of these businesses to operate or to deliver services. We will be there with pesticides very shortly, insecticides very shortly, with the same kind of an approach that is costing us money and particularly specialty crops or eliminating products all together that are available for us.

So, do not forget those when you are doing your lobbying and some of us are aware of that, and I guess that awareness comes from, as I said, some of us who have practical experience in the management end of agriculture.

I thank the chairman, and I thank Ben Campbell for inviting me down here, and Hank Brown, it is nice to be here with you.

Mr. GLICKMAN. Thank you, Mr. Marlenee.

I am going to let Ben close. I would just remind you all that there was an American writer named H.L. Mencken. He once said that for every complicated problem, there is a simple and a wrong solution, and I cannot imagine that having more implication in agriculture than anything else.

On the other hand, these problems are not insolvable. We have done a fairly good job of trying to deal with them, and with your input and with your help, we will make these problems less complicated and, therefore, more capable of solutions.

I thank you very much for your attention. This hearing has been invaluable. We are going to go from here to Pendleton, Oregon, and Billings, Montana, before we go back to Washington. We have been in Kansas. We have been in Indiana and other hearings are being held by other subcommittees.

So, with that background, we ought to be in a position next year to go forward and write some legislation that makes some good common sense.

So, I thank you for being so courteous.

Yes, sir.

Mr. HILLMAN. Is this on?

Mr. GLICKMAN. Yes, it is on.

Mr. HILLMAN. I did give you a testimony.

I am Fred Hillman from the division of agriculture of the State of Colorado, president, and I am on the same lines as Corky Jones. Along the same lines as John Stencel.

Since that testimony has been printed, Farmers State Bank in Colorado has gone down the tubes. It has a lot of problems in Colorado, and it has always——

Mr. GLICKMAN. We have your statement in its—it is? It is part of the record.

Mr. HILLMAN. You do have that, and I did submit it. So, I thank you, gentlemen, for being here. Thank you for coming. Thanks again, Hank Brown. Ben, you know, I was born and raised in Kansas as a small fellow and then moved to Colorado. Thanks again for being here.

[The prepared statement of Mr. Hillman appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much.

Mr. MARLENEE. Mr. Chairman.

Mr. GLICKMAN. Yes.

Mr. MARLENEE. Has the secretary of agriculture for the State of Wyoming had an opportunity to enter the statement or did he so desire?

Mr. GLICKMAN. Did you have a statement?

Mr. RALSTON. Mr. Chairman, I came down the list and I flat out—the only statement I would like to make is on behalf of my colleagues and my many friends that have appeared here today, that the concerns in Colorado are certainly the same in Wyoming. We are a great livestock State. I think a couple of issues did perhaps come up today with the animal rights and with the animal care issues, but I feel it is going to be a real issue coming down the road.

Of course, the food safety that we have, also. The approach that I take is profitability for agriculture. I am glad to see so many alternatives that people have to these. There should be the opportunity to work something out that will be of benefit, but unless we can start talking about profitability, then all of the rest of political rhetoric is not really going to be appropriate.

I appreciate the chance to listen. Thank you.

Mr. GLICKMAN. Thank you very much.

Mr. Campbell, we would like you to close.

Mr. CAMPBELL. Thank you, Mr. Chairman.

I think I have said about everything I need to about agriculture today and asked the questions that I wanted to.

One thing I would like to say, I did learn today and that was the diversity of the Republican party. Here, you and I are in the middle, and we have one to the far right and one to the far left, and I am glad to see that they have that great of a party.

Mr. GLICKMAN. Which side are you looking at?

Mr. CAMPBELL. One last thing, too. These committee hearings just simply cannot be set up without an awful lot of work from staff people, and I would like the staff people on my staff and Mr. Marlenee's, Mr. Glickman's staff all to come on down here in the front, maybe over on this side, where we can show our appreciation.

I see Carol and Sherrie Wolff and Ken from my staff, and a couple of others, and certain subcommittee staff, too. If you would just kind of come over here to the left so we can thank you properly.

[Applause.]

Mr. **Campbell**. And with that, thank you very much for appearing.

[Whereupon, at 12 noon, the subcommittee was adjourned, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

STATE OF COLORADO

DEPARTMENT OF AGRICULTURE
1525 Sherman Street
Denver, Colorado 80203
(303) 866-2811

Roy Romer
Governor

Steven W. Horn
Commissioner

STATEMENT OF STEVEN W. HORN
Colorado COMMISSIONER OF AGRICULTURE

Before the U.S. House of Representatives
Committee on Agriculture
Subcommittee on Wheat, Soybeans and Feed Grains

August 28, 1989
Pueblo, Colorado

Chairman Glickman, Committee members, and distinguished guests, my name is Steven W. Horn, Commissioner of Agriculture for the state of Colorado. I am honored to appear before you today to offer some thoughts as this committee begins its portion of the work in preparing an omnibus farm bill for 1990. I would like to thank you, Chairman Glickman, for providing producers in Colorado this opportunity to present our positions on issues as they pertain to the work which lies ahead for this subcommittee.

Let me begin my remarks by setting the stage for the comments you will likely hear today. This state's agricultural economy is driven by the livestock and livestock products sector. Fully 70 percent of the state's agricultural sales fall into this category. Much of what else you will hear today will reflect that relationship between the issues confronting your subcommittee and the livestock industry in Colorado.

Colorado is a feed grains-deficit state. In spite of the fact that corn production in Colorado has risen 18 percent this year over 1988, which itself was a record year, our vast livestock economy consumes nearly all our corn and feed grains crops. Colorado cattle feeders market over 2.4 million head of cattle each year, and lamb feeders market nearly a half million head annually. Colorado feeds more lambs than any other state, and we rank fourth in fed cattle marketings. Obviously, any decisions this subcommittee may make which affect the relationship between feed prices and livestock feeding will get our attention very quickly.

Having emphasized the importance of livestock to Colorado's economy, you must also be aware that wheat has become this state's largest product for export in dollar value. Over 80 percent of the wheat produced in Colorado moves into the export market. Because wheat is an important component of our agricultural picture, and because it generates foreign trade for our state, this subcommittee's decisions regarding loan rates, export enhancement, and commodity program stipulations will be of profound importance to Colorado.

The Food Security Act of 1985 has contributed significantly to the relatively stable economic conditions in agriculture today. This subcommittee worked hard to forge compromises on seemingly insoluble problems, and the result is worthy of the industry's gratitude. As I am sure all of you would agree, the discussions which will occur this year leading to adoption of a new farm bill should focus on the questions of what components of the 1985 law should be retained, which should be revised, and is the 1985 law an appropriate roadmap to prosperity in agriculture in the coming decade.

These are tough questions, and I wish I could claim to have the answers. I am not an authority on farm programs, but I do have some strong feelings regarding the general direction you should take to assist Colorado in taking its proper role in the nation's agricultural economy for the years ahead.

I am firmly convinced that the 1990 farm bill must put to rest the questions surrounding the future of the Conservation Reserve Program. Even though this issue is not within the jurisdiction of this subcommittee, the implications of the program clearly are.

What will happen to those 1.8 million acres of highly erodible land in Colorado now enrolled in the program? Commodity groups want to know, especially Colorado's wheat producers. Farm input suppliers need to know. Colorado's elevator and warehouse operators need to have some idea what lies in store. And how will this subcommittee structure commodity programs that will provide long term stability to the industry?

Decisions must be made as to the future of the program. Will all of the CRP acres remain in retirement past the initial contract period? If so, what will be the terms of the new contract period? If not, how will the land be put back into production without generating soil erosion, without diminishing habitat improvement for wildlife, and without leading us back to burdensome surpluses?

I cannot over emphasize the impact of the CRP in Colorado. Of the 1.8 million acres in Colorado enrolled in the CRP, over 650,000 of those acres have been taken out of wheat production. As a result, our economic structure has changed, and in some circles, not for the better.

Make no mistake; I believe in the Conservation Reserve Program. It has done an enormous amount of good for Colorado. Estimates indicate that nearly 46 million tons of Colorado soil are saved annually because of it. Whether you believe, as I do, that the CRP is a soil, water, and wildlife habitat conservation program, or if you are among those who believe that CRP's primary benefit has been to retire land to reduce crop surpluses, the results have been generally positive. Income from CRP contract payments was, in many cases, the only way many of our producers could survive those terrible years of depressed prices. Plummeting land values were stabilized by the program as well.

But not all of the results of the CRP have been positive. Colorado has a weed problem that is becoming worse due to insufficient resources for SCS supervision of CRP contracts. Also, we have found that CRP acres provide safe haven for a serious pest in this state, the Russian wheat aphid. And because we live in such an arid climate, it is difficult to establish ground cover to even protect topsoil, let alone provide wildlife habitat. These are the interim problems we must confront, and I believe the U.S. Soil Conservation Service must be provided sufficient funding to oversee the program acres and assure that the lessees comply with the requirements for weed control and ground cover.

These are issues I am sure are on your minds as well.

Another topic I would like to raise, and it is one about which you will hear more, is that of haying and grazing of set-aside acres. As long as program crop carryover stocks remain relatively low, the issue may not be as critical it has been in previous years. However, I believe the issue must be settled in legislation this subcommittee is preparing to write.

Over the years, The Colorado ASCS Committee has remained steadfast in its opposition to allowing haying and grazing, particularly haying, on set-aside acres. Only drought conditions caused the policy to be altered somewhat. I believe the 1990 farm bill should unilaterally prohibit such allowances for haying and grazing unless severe drought circumstances occur. The current policy of leaving the decision to the various state ASCS committees is inappropriate. It places these committees in an untenable situation when its surrounding states approve haying and/or grazing.

Colorado cattle and sheep feeders compete with Kansas, Texas, Oklahoma, and Nebraska for feeder placements. If our feeding industry is forced to pay higher feed prices than our competitors due to arbitrary decisions made by neighboring state ASCS boards, we will be placed at an economic disadvantage, and I will not stand idly by.

As long as Colorado's neighboring states prohibit haying and grazing of set-aside acres, I, too, will recommend that Colorado sustain its policy opposing the practice. But when our neighboring states, one by one, begin recommending and requesting approvals of the practice, I must defend Colorado's livestock feeding industry and urge we go along with them in spite of my philosophical objections.

I believe it is just and defensible to prohibit haying and grazing of set-aside acres unilaterally. As I said earlier, drought impacts may require waivers of that policy, but the practice of permitting haying and/or grazing on a state-by-state basis could lead to the creation of skewed cattle feeding economies, and that must not be permitted to occur.

I will not take any more of your time. There are witnesses here today who have a great deal of knowledge and expertise in the programs you must deal with. But I want to thank you once again for coming to Colorado. I hope you have the opportunity to take in some of the grand tradition which is the Colorado State Fair.

I would be happy to respond to any questions you may have.

STATEMENT OF MRS. MARY LOU CHAPMAN, ARVADA,COLORADO
PRESIDENT, MARY LOU CHAPMAN, INC.
MEMBER, NATIONAL AGRICULTURAL RESEARCH AND EXTENSION
USERS ADVISORY BOARD

Mr. Chairman and members of the Subcommittee, my name is Mary Lou Chapman. I am a food and agriculture marketing consultant. I serve as a member of the National Agricultural Research and Extension Users Advisory Board. It is in this capacity that I speak to you today. I welcome the invitation to briefly discuss with you some concerns which deserve attention in the 1990 Farm Bill.

The National Agricultural Research and Extension Users Advisory Board (UAB) is a statuatory committee, established by the National Agricultural Research, Extension and Teaching Policy Act of 1977, Title 14 of the Farm Bill.

Our 25 members have the responsibility of preparing independent advisory opinions on needs and budget priorities for research, Extension, and higher education in the food and agricultural sciences.

In order to reach these opinions we contribute many hours to reviewing public and private sector programs, evaluating food and agricultural policies and listening to concerns of other users of research and extension programs.

We appreciate Congress' consideration of our recommendations provided to you each year in this red report, and we hope to have your support for our continuing authorization in the 1990 Farm Bill. You'll find more about the responsibilities and structure of the UAB on page 59 of our current report.

Since you all have received copies of the book, I will briefly summarize some of key concerns of the Board and of my own.

Trade-offs between food production and quality of the environment are inevitably facing us, as preservation of the environment becomes a worldwide concern of both rural and urban dwellers. We need to more clearly define and analyze the options for encouraging protection and management of soil, water and genetic resources while maintaining productivity.

To this point, the Board was awakened to the very real concerns of rangeland and watershed management, during our recent meeting in New Mexico. Our western watersheds are so important for the irrigation supply necessary for agricultural crops, and for our urban water users. But, we have taken our watersheds for granted, and neglected them, until many have succumbed to a subtle invasion of pinon, juniper and sage brush, whose roots withdraw most of the moisture that falls. In the areas that we viewed a nearly solid canopy of this brush prevails, allowing little of the water to reach the aquafers and almost none is available for the grasses that formerly grew in the area.

There is a critical need for the development of economically and environmentally sound methods of controlling these invading brush species. Research is needed into fire, mechanical and chemical control.

These situations have evolved under fire control. Another recent explicit example is Yellowstone, in which terrible fires were caused essentially by the lack of fire. The fuel load had been allowed to build to the point that no human effort could stop it.

This concern is not specifically requested in our current report, but it will be in our next one. Several vehicles are already in place in the Farm Bill where these watershed management concerns can be addressed; these are The Renewable Resources Extension Act, Rangeland Research grants, and the Water Quality Initiative. We urge you to use your influence with the Appropriations Committee to allow funding of these critical programs without the limitations imposed through earmarking.

To maintain our standard of living and our leadership role in a changing global climate, we must find new ways to attract our best students to agriculture and educate them well to secure leadership for the future. It is also vitally important that we encourage agricultural literacy--knowing about the importance of agriculture, at all educational levels.

Equally as vital as bringing fresh individuals and understanding into the field, we must find ways to attract the top research minds to agriculture, and offer a challenging and rewarding climate, where they can excel. It will take a sound foundation of research, technology and well-trained individuals to put the competitiveness of U.S. Agriculture back on track.

Private enterprise provides the largest amount of dollars for agriculture research today, but we cannot--and should not--ask them to pick up the tab for basic research. We also cannot expect state governments to devote immoderate amounts of limited research funds to broad basic national research needs. We must be prepared to fund this basic research at the federal level, for the good of all our people.

We must renew the federal commitment to agricultural research if we expect, as a society to continue to rely upon a national policy of constant and inexpensive food and fiber, a favorable agricultural trade balance, and a stable economy in rural America.

USDA funding for agricultural research is still at 1967 levels, in constant dollars.

Some (Congressmen and others) have suggested a reason for this situation is that USDA research funding picks up what is left after paying the costs of support programs for crop surpluses. Does this type of programmatic approach, that involves policies which both encourage and discourage production, and promotes attention to surpluses, cause our non-agricultural constituency to question research investments designed to make our agricultural machine even more bountiful?

Perhaps as we begin a new era in agriculture, we need, as some have suggested, a new vision...one which requires foresight, creativity, sophistication, and maturity on the part of government, industry and academia, but allows us to take advantage of the existing pieces and reassemble them into a more effective whole.

How to do this? I obviously don't have time to outline a development plan here. But, what if we began a weaning process, as many involved in agriculture have suggested, to move away from some of our subsidy programs and toward a market-driven agricultural economy? And, what if we were willing to sacrifice some of our special grants and politically- earmarked programs...and began shifting the dollars we saved into expanded competitive research and development for agriculture's future?

From my view, to increase the research investment in agriculture is a goal that is win-win. It stands to achieve positive results for all involved. Here is an effort in which we should be enlisting the help of our non-agricultural population for they will likely gain the most.

I believe that through such an effort, properly funded and properly communicated we can foster a common-goal relationship for championing the cause of a stable and healthy new era in agriculture.

Conversely, the harshest sentence that could be imposed on Americans, both urban and rural, would be for us to continue to allow a constant, and consequently shrinking, part of our federal resources to be allocated toward technology development which offers a proven and demonstrated record for U.S. agricultural superiority in terms of global competition.

Thank you for the privilege of appearing before you today.

(Attachment follows:)

National
Agricultural
Research and
Extension
Users Advisory
Board

Appraisal of the Proposed 1990 Budget for Food and Agricultural Sciences

Report to the President and Congress

This report has been prepared by an independent advisory board and does not necessarily reflect the opinions of officials of the United States Department of Agriculture.

Contents

v **Introduction**

1 **Executive Summary**
1 Six Critical Issues: A New Look, A New Vision
  Self-Sufficiency: A Global Goal
  Biotechnology: Advanced Technology's Impact on Agriculture
  Quality and Purity: A Worldwide Issue
  Declining Science Education: A Crisis in the Making
  Cost-Effective Agriculture: An Economic Necessity
  Rural Development: Sustaining Economic Stability
7 UAB Recommendations: A Call for Action
  Agricultural Research Service
  Cooperative State Research Service
  Economic Research Service
  Cooperative Extension Service
  Forest Service (Research)
  Human Nutrition Information Service
  Office of International Cooperation and Development

15 **UAB's Detailed Analysis of and Recommendations for the Proposed 1990 Budget for Food and Agriculture**
15 Agricultural Research Service
  Improvement of ARS Research Facilities
  Comprehensive Planning for Research
  Increased Interdisciplinary, Interagency and External, Peer Reviewed Efforts
  Economic Impact Analysis of Proposed Research
  Acceleration of Plant Genome Research
  Increased Animal Science Research
  Emphasis on Water Quality/Quantity
  Assessment of Global Climate Change
  Research into Alternative Uses of Agricultural Products
25 Cooperative State Research Service
  Competitive Research Grants
  Formula Funding
    The Hatch Act
    Cooperative Forestry Research
    The Evans-Allen Act
  Critical Agriculture Materials
  Special Research Grants
    Water Quality Research
    Integrated Pest Management
  Rangeland Research Grants

Federal Administration
Forestry Competitive Grants
Higher Education
33 Economic Research Service
Domestic Commodity and Food Analysis
World Trade and the Relative Cost of Production
Rural Development
Water Quality
Maintaining the Quality of Data Collection and Analysis
39 Cooperative Extension Service
Agricultural Competitiveness
Water Quality
Rural Economic Development
Priority Initiatives
Renewable Resources
Food and Nutrition Education
Formula Funding
Categorical Funding
45 Forest Service (Research)
Forest Protection
Resource Analysis
Timber Management
Forest Environment
Forest Products and Harvesting
Research Challenge Program
Competitive Grants
51 Human Nutrition Information Service
Emphasize Accountability
Do Relevant Research
Modernize Communication Efforts
Foster Greater Interagency Communication
57 Office of International Cooperation and Development
Access to Available Research Dollars

59 Appendixes
I. Responsibilities and Structure of the Users Advisory Board
II. Call for Comments
III. Members of the Users Advisory Board, 1989

Introduction

Between 1920 and 1950, America was a nation of scientific adapters. We used the scientific base produced by others in Europe and Asia to bring American agriculture to new highs in productivity. By the 1960s and 70s, American scientists had become leaders in agricultural research and education, as funds were invested to increase the scientific base of knowledge and spread the information from farmgate to multinational producers.

As an industry, U.S. agriculture today accounts for more than 20 percent of American jobs and 20 percent of the gross national product (GNP). At the same time, our citizens enjoy an extraordinarily inexpensive food supply. Americans spend an average of only 14.7 percent of their disposable incomes for food. That figure compares favorably with all other industrialized and Third World nations.

Obviously, agriculture plays a major role in the financial well-being of the nation as a whole and of the individual consumer. Nevertheless, that role has not been fully appreciated or understood by the American public.

If we are to retain and enhance our agricultural base in an increasingly competitive world market, America cannot afford to ignore the need for long-term, high-quality agricultural research and education. Therefore, the National Agricultural Research and Extension Users Advisory Board (UAB) recommends to Congress, the Administration, and the public that a strong agricultural research and education capability be the basis for this country's leadership and self-sufficiency in food production, now and in the future.

Credible estimates on investment for U.S. agricultural research and education indicate more than a 50-percent return. A 50-percent return on investment in a segment of the economy that accounts for 20 percent of our jobs and 20 percent of our GNP clearly states that a strong agricultural research and education capability is in our nation's best economic, social, and political interests.

The UAB looks to the 1990s as a decade for restructuring and refocusing our agricultural research and education resources. The primary objective will be to maintain and advance our competitive edge well into the 21st century.

Toward that end, the UAB's appraisal of the proposed 1990 budget for food and agricultural sciences addresses concerns and makes recommendations that are intended to strike a new direction for agricultural research and education—one that calls for:

- Increasing collaborative efforts among agencies
- Using multidisciplinary scientific methods
- Eliminating obsolete resources and methodologies
- Encouraging student enrollment at all educational levels in science generally and agriculture specifically

In analyzing the 1990 budget, the UAB has attempted to be both broad and in-depth in its assessments. Out of our deliberations has come the firm belief that the federal government's capability in agricultural research and education is critical to our nation as we approach the year 2000. We further believe that the Congress, the Administration, the public, and the private sector must show real imagination and bold leadership in positioning this country's agricultural industry for even greater returns in the world market.

Executive Summary

Six Critical Issues: A New Look, A New Vision

In analyzing U.S. Department of Agriculture (USDA) research and education needs and budgets over the last several years, the UAB has concluded that six critical issues are likely to have an increasing impact on our agriculture and food supply system. Our review of the proposed 1990 budget for food and agricultural sciences has centered around those same issues. They are:

- Self-Sufficiency: A Global Goal
- Biotechnology: Advanced Technology's Impact on Agriculture
- Quality and Purity: A Worldwide Concern
- Declining Science Education: A Crisis in the Making
- Cost-Effective Agriculture: An Economic Necessity
- Rural Development: Sustaining Economic Stability

The UAB believes that the United States will not retain its leadership position or competitive posture in the world's marketplace if its agricultural research and education programs continue to be characterized by underfunding, limited new hires, and political expedience Instead, this country's public sector research and education programs must be refocused through a long-term strategic plan for success. If we are to go forward in strength, we must enter the 1990s by first *taking a new look* and *sharing a new vision*.

As a nation, we are challenged by the need to improve public understanding of agricultural issues and the value of high-quality agricultural research and education. The prerequisite to meeting this challenge of public understanding—is for the Administration and Congress to join the UAB in our vision of the future by setting in motion an agricultural research and education program that adequately addresses the six critical issues described below.

Self-Sufficiency: A Global Goal While actual improvement in self-sufficiency around the world may be erratic for some time, the desire of all nations to be self-sufficient in a global market is clear. The impetus behind self-sufficiency abroad almost certainly reflects the same factors that have led to our own agricultural systems. Both traditional and nontraditional, those factors range from national security to employment of local work forces.

As a nation whose leadership in world agriculture is threatened by the growing competitiveness of other countries' evolving and matured agricultural systems, we must recognize that the trend toward self-sufficiency worldwide, while erratic, is irreversible. Furthermore, that trend is fueled by the adaptation of U.S. and other advanced technologies in agricultural research and development and by ever-present political pressures throughout the world.

Because U.S. agriculture has historically dominated the world market, both our private and public sectors have been slow to accept the extent of this new global competitiveness. Perhaps the drought of 1988, more than any other factor, has brought our nation closer to the realization that we can ill afford to become complaisant about the long-term availability of a high-quality and competitive food supply. It has brought us closer to the understanding that we must become more strategic in our long-range planning and in setting our agricultural research and education priorities. Both are necessities if we are to maintain our own self-sufficiency, let alone our place of global leadership in agriculture.

Biotechnology: Advanced Technology's Impact on Agriculture

Biotechnology is becoming a major factor in the development of commercial animal agriculture. The commercial benefits derived from its application to plant agriculture have lagged behind somewhat. Nevertheless, major strides are being made and plant research must continue.

There is little doubt in America that increasing our technological knowledge and know-how will change our approaches and offer new solutions to many traditional problems and practices in agriculture. The nation's farmers, ranchers, and foresters look forward to a new age, when advanced technology can improve animal health, create new plant strains, increase the nutritional value of both plants and animals, improve pest control, and cultivate new agricultural opportunities not yet conceived.

Our ability to move expeditiously in these areas depends largely on a fundamental understanding of basic biochemistry. This is particularly true for plant biochemistry, where research and thus knowledge are not as advanced because of past funding priorities favoring practical agriculture and mammalian health. Expanding our investment of new technology in plant science has potentially high payoffs in both nutrition and improved health for humans and animals.

Advanced technology represents America's cutting edge when it comes to continued self-sufficiency and competitiveness in a global agricultural market. The furtherance of our knowledge and application of new technologies must be a high priority in U.S. agricultural research and education if we are to remain the world's leader in agricultural science.

Quality and Purity: A Worldwide Issue Throughout the world, an ever-growing concern for quality and purity will continue to influence all aspects of our lives and the lives of our great grandchildren. Our concerns are most often expressed in isolated discussions of single topics such as ozone, smog, acid rain, water contamination, food composition, safety, etc. However, the common thread in all of those lower case concerns is the capital case concern for Quality and Purity—of the water we drink, the air we breathe, the food we eat—and the impact that results from our use or misuse of natural or nonreplaceable resources.

Today, environmental policies and agricultural production methods are often at odds. Some policies and practices encourage exploitation of natural resources; others stress preservation. Some seek absolute safety for the use of products; others provide major loopholes. Market forces and agricultural policy often encourage more intensive use of substances that environmental policies seek to abolish or to restrict. Public subsidies, regulatory actions, state and federal policies and economic realities all affect the worldwide perception of quality and purity and American agriculture's overall competitiveness.

It is essential that long-range agricultural research and education priorities be set with such inconsistencies in mind. The UAB suggests that an effective approach would be to set quality and purity funding priorities across the federal government. Agencies sharing similar priorities—for example, the Environmental Protection Agency (EPA), the Food and Drug Administration (FDA), and the National Institutes of Health (NIH)—would consolidate and coordinate their efforts, with USDA assuming the leadership role where agriculture is the dominant issue.

In addition, the USDA should strive for international standards so that quality and purity concerns can no longer serve as barriers to international trade, or be used as arguments to encourage federal subsidies, or be offered as excuses to maintain the *status quo* of products whose quality and purity go counter to market demand.

Declining Science Education: A Crisis in the Making With full consideration for all six of the critical issues discussed in this report, the UAB feels that this country's decline in science education is perhaps the single most important matter that we, as a nation, must come to grips with.

Quality science education is the foundation that our agricultural leadership has been built on over the years. It is the fulcrum on which our global competitiveness pivots. It is the *only* key we have to the 21st century.

Nevertheless, recent history has seen a significant trend away from the sciences. Fewer college freshmen are enrolling in science courses, particularly those who score well on their SATs. We are losing the best and the brightest. Clearly, this is a situation that cannot be permitted to continue.

With quality science education, we will open the doors to advanced technology. Without it, other areas of the world, which are increasing their investments in science education, will assume our leadership role in agricultural research and development, as has already been seen in our electronics and automobile industries.

As we establish our 1990 budget with the hope of taking a new look and sharing a new vision, we must come face to face with a simple question: In a world economy driven by information and sophisticated technology, how can a nation of science illiterates lead the future?

The answer is unavoidable and long overdue. We must act now. We must free ourselves from the fantasy of world dominion forever in spite of our growing scientific illiteracy. In the 1990s, we must set forth a new, realistic direction—one that begins with reassessing our educational priorities and reallocating our resources—both human and financial—to support those priorities.

Cost-Effective Agriculture: An Economic Necessity In the 100 years since USDA's inception, good agriculture has been considered abundant agriculture. Until recently, agriculture's goal was simply to increase the number of bushels grown per acre. While that proved an effective strategy in the past, leading as it did to America's preeminent position in world agriculture, it no longer lays claim to the realities of the modern marketplace.

Instead of production for production's sake, agriculture's focus must now, of necessity, shift to obtaining the most efficient return on every dollar invested. Cost effectiveness has become a watchword for this country's agricultural competitiveness and profitability.

U.S. agricultural producers today face mounting costs for input, labor, regulation, finance, insurance, marketing, and transportation. In light of sharp competition from other countries, where such costs tend to be lower, the questions for U.S. agriculture increasingly become:

- Is the cost of producing an extra bushel per acre worth the additional investment required?
- Is the cost to the environment too high?
- Are we making the best use of our resources?

Questions like these encourage new investigations in two principal areas:

- *Alternative agriculture*—that is, alternative farming systems, the most notable emerging success being aquaculture
- *Sustainable agriculture*—that is, cost-effective and socially acceptable technologies ranging from low-imput farming methods to the new biotechnologies

If this country's agricultural industry is to remain viable worldwide, research, development, and education need to continue into such areas as:

- New uses for current agricultural products, including nonfood uses, perhaps industrial uses
- New products that can be grown on marginal land or in areas where current production is of marginal quality
- New or expanded uses for current investments in land and equipment, including multiple uses (integrated resource management), and added off-farm income potential

But before we can expect our agricultural producers to turn their land to new uses, research must assess the upfront costs and evaluate whether we can afford the investment. We must also recognize that our success depends on determining the potential market and the sustainability of such a market *before investment*.

All of this speaks clearly to the need for a first-rate, appropriately educated, and adequately funded research community that can supply results quickly and efficiently. The ability to sustain a cost-effective agricultural industry for the next century will require increased, long-term investment in research, development, and education on the part of both the public and private sectors of our economy. We must not fail to understand that maintaining the health and profitability of our agriculture is essential to the economic health of our nation.

Rural Development: Sustaining Economic Stability The plight of rural America is of great concern to the UAB. The American farmer is being driven by economic necessity and an understandable desire to earn an income at parity with what is possible in urban areas. Such parity may well have important value for America, not only economically, but also in terms of overall social strength and stability.

Throughout the 1980s, rural America and farm families have grown increasing dependent on nonfarm sources of income. All indications suggest that this trend will continue into the next century. Nevertheless, agriculture remains a significant component of the nation's rural economy. Consequently, the UAB believes that the USDA should continue to provide guidance and assistance to local leadership in the area of rural economic development.

Local leadership is an absolute requirement if we are to effectively address the diverse economic and social conditions of rural communities throughout the nation. Local input and control must be the driving forces behind the development of strategies that meet community needs and command local support.

The UAB believes that USDA should continue to lead and coordinate the federal government's rural development initiative using existing departmental resources and programs, coupled with a committed effort to coordinate governmentwide programs, policies, and resources. Specific rural development recommendations for technical assistance and funding programs are discussed in the Economic Research Service (ERS) and Cooperative Extension Service (CES) sections of this report. The focus of these recommendations are that USDA should:

- Emphasize that rural development is not just an agricultural problem and stress the nonagricultural aspects
- Help local leaders organize active economic development committees and insist that those committees be led by local leaders
- Support local efforts by making ERS statistics, analyses, models, and other information readily available
- Redirect the CES's efforts to underscore the importance of profitability in agriculture through such things as alternative crops, alternative farming methods, and integrated resource management
- Encourage the CES, through its local agents and its Rural Development Centers, to work closely with local leadership in rural economic development activities

The UAB recommends that USDA establish an interdisciplinary, multi-agency, and private sector committee to structure a rural policy framework that can be used by Congress as it drafts food and agriculture legislation.

Much of the framework has already been established. For example, USDA has reinstituted the National Advisory Council on Rural Development and has implemented a six-point rural development initiative. The Cooperative State Research Service and the Cooperative Extension Service have conducted assistance programs and their results should be studied, as should analyses and recommendations from ECOP, ESCOP, state and federal institutions, community groups, the Joint Council, and the UAB. Also the Congress has considered and adopted legislation that seeks to bring the resources of the federal government to bear on rural economic problems.

UAB Recommendations: A Call for Action

Just over a century ago, our nation's leaders took a new look at the capability and availability of our natural and human resources in agriculture. Those leaders had the vision to put into place agricultural research and education programs and support mechanisms that have led to our position of worldwide leadership in agricultural efficiency, proficiency, and sufficiency.

One hundred years later, America is again challenged. Our circumstances and our critical issues have changed, but our challenge is the same. The time has come for this country's leaders to look again and to share another new vision. We, the members of the UAB, have over the past several years started to take that look, and we have seen a continuing need to address the six critical issues described above.

In making our recommendations for the proposed 1990 budget for food and agricultural sciences, we have focused on and reemphasized the need to reposition, redirect, and restructure our nation's agricultural research and education programs, concepts, and funding. Our guiding principle has been to ensure that our heirs to the 21st century enjoy the same quality of life that our forebears handed down to us in the 19th century.

While the UAB generally supports the Executive budget proposals, we have made suggestions for (1) the best ways to use the funding levels that have been called for and (2) some ways in which increased funding or shifting of funds between categories would allow USDA to better set and achieve national agricultural research and education priorities.

The sections below summarize our findings. Following them, we present our detailed appraisal and recommendations for the 1990 budget.

Agricultural Research Service The UAB endorses the level of additional funding in the proposed Executive budget for the Agricultural Research Service (ARS). We do, however, feel that modest increases in animal science and repair and maintenance for facilities are justified. It is time to face up to the issue of the large number of ARS research facilities that are inefficient, outmoded, and extremely expensive to operate and use. Therefore, we also recommend promptly closing or consolidating ARS research facilities that meet the following criteria:

- Generally lack critical scientific mass
- Cannot afford needed analytical back up (less than state-of-the-art science)
- Do not have interdisciplinary skills
- Are not cost effective
- Do not have good information access
- Entail very high overheads

There appears to be a large opportunity for savings (as much as hundreds of millions of dollars) that could be reallocated if

ARS research facilities meeting these criteria were closed or consolidated. The reallocations could be directed to:

- Upgrade the remaining facilities—such as the Beltsville research facility and the four regional laboratories
- Raising the funding level of competitive research grants (available to ARS scientists too)

The logic for such a move is like the rationale that the congressional and executive branches have recently agreed to with regard to military bases. If necessary, a similar mechanism could be applied to ARS research facilities.

The discussion beginning on page 15 examines this issue further. It also explores how the states could assume responsibility for ARS research facilities that they feel are essential to their own agricultural goals.

In addition to closing or consolidating obsolete ARS research facilities, the UAB recommends the following actions:

- Faster renovation of the Beltsville research facility
- Completion of the National Seed Storage Laboratory
- Increase for the repair and maintenance of federal laboratory facilities
- Continuance of comprehensive planning for research (a rolling six-year plan)
- Increased interdisciplinary, interagency and external, peer reviewed efforts
- Economic impact analysis of proposed research
- Acceleration of plant genome research planning
- Increase for animal science research
- Proper emphasis on the water quality (and quantity) initiative
- Further research into global climate change
- Continued priority for research into alternative uses for agricultural products

Each is explained in detail on pages 15 to 22.

Cooperative State Research Service In supporting the proposed 1990 budget for the Cooperative State Research Service (CSRS), the UAB's key recommendation calls for increasing emphasis to be placed on competitive research grant programs. Such programs offer great potential for attracting the nation's most outstanding scientists—experts with the ability to devise new ways of:

- Making U.S. agriculture more cost effective and thus more competitive in the world market
- Improving the quality and purity of the U.S. food supply
- Enhancing economic development in our rural areas

The United States currently spends less than 2 percent of the national agriculture budget on research and development. No other industry boasts such a small R&D budget.

With these considerations in mind, we propose a total increase of $13.4 million for CSRS, $3 million of which would go to food safety. Other recommendations include:

- Adding an appropriate inflation index, but otherwise maintaining the current level of federal funding and a specified review process for three formula grant programs:
  - The Hatch Act
  - Cooperative Forestry Research (McIntire-Stennis)
  - The Evans-Allen Act (Payments to 1890 Colleges and Tuskegee University)
- Funding rangeland research grants at $475,000
- Providing $3.75 million for aquaculture research and demonstration projects

Detailed discussions of these and other recommendations may be found on pages 25 to 30.

Economic Research Service The UAB proposes that additional funds be allocated to the ERS budget to enhance the quality of the valuable information that this agency supplies to U.S. farmers and consumers. We believe that ERS is understaffed and underfunded. As a result, it is forced to use less experienced staff members to collect and analyze data about the economic and social environment of American agriculture and world markets.

To prevent an alarming and needless decline in quality, the UAB recommends that ERS and National Agricultural Statistics Service (NASS) be funded adequately so they can continue to provide high-quality data about the production of and demand for U.S. agricultural commodities and world agricultural supply and demand. Further, as explained on pages 33 to 36, ERS should:

- Give its professional staff a cost of living increase without reducing the total number of staff positions

- Fill open staff positions so it can meet the remaining recommendations
- Perform a detailed supply and demand analysis of major farm commodities in the U.S. and other countries
- Evaluate the comparative advantage of U.S. farmers in world trade for use in the negotiations on the 1989 General Agreement on Tariff and Trade (GATT)
- Assess the costs, social benefits, and liabilities of clearing the tropical rain forests to increase global food production
- Assign the Agriculture and Rural Economy Division to help reduce the local tax burden on American farmers by identifying the optimal infrastructure of local governments, services, and education facilities for rural Americans in the year 2000
- Develop and implement a program for collecting and evaluating the away-from-home (restaurant) food needs of American consumers and for helping U.S. farmers sell their products in this market
- Provide an economic analysis and strategy for marketing U.S. value-added agricultural commodities in world markets

Cooperative Extension Service The UAB believes that USDA should lay the foundation for reorienting the Cooperative Extension Service (CES) to develop programs aimed at helping American agriculture compete effectively in global markets. An appropriation of $10 million in fiscal 1990 will enable CES to launch programs in biotechnology, cost-effective agriculture, sustainable agriculture, and aggressive marketing of U.S. agricultural markets. Agricultural competitiveness programs such as these will set the stage for a stable and vital American agriculture from the 1990s well into the next century.

In addition, the UAB makes the following recommendations for the proposed 1990 Executive budget:

- Continue support of CES water quality programs
- Undertake rural economic development to promote vital and sustainable rural economies
- Provide priority initiative funds so CES can take the educational leadership on emerging issues and problems

Additional detail about our appraisal of and recommendations for the proposed 1990 CES budget may be found on pages 39 to 41.

Forest Service (Research) The UAB applauds the Forest Service for its fine record of trimming administrative overhead and urges it to continue seeking such economies. On the whole, we agree with the proposed 1990 Executive budget for Forest Service research. We do, nonetheless, ask that the following key recommendations, along with others contained in pages 45 to 49, be considered in the allocation of FY 90 funds:

- Additional funding should be provided for resource analysis research and timber management research
- Funds should be reallocated among several of the activities within the forest protection, forest environment, and forest products budget categories
- The competitive grants program established for forestry and maintained within the Cooperative State Research Service is strongly supported

Human Nutrition Information Service The UAB applauds the strides that the Human Nutrition Information Service (HNIS) has made in advancing our knowledge about nutrient composition and related matters. We endorse the proposed 1990 budget for HNIS and recommend that it be funded as requested.

At the same time, we are also proposing that HNIS explore how it can more effectively fill its congressionally mandated role as the clearinghouse for federal nutrition information. Toward that end, we are recommending that HNIS should, for the immediate future, channel its efforts into developing and implementing a system of management by objectives. At a minimum, that system should address the following goals:

- Establish ways to measure the success of HNIS programs
- Direct research toward current and future needs
- Provide for collaboration among ARS, CSRS, and CES to better direct and use nutritional research projects and their findings
- Expand food consumption surveys to include a broader range of topics and to draw on available research
- Work toward more effective communication
- Foster full cooperation with outside agencies in the transfer of information

These goals and their impacts on the HNIS budget are discussed further on pages 51 to 55.

Office of International Cooperation and Development The UAB supports those programs, projects, and activities of the

Office of International Cooperation and Development (OICD) that benefit the U.S. farmer and agricultural economy. As explained on pages 57 to 58, we recommend:

- The continuation of foreign currency (P.L. 480) funds
- The provision of $2-10 million to access the foreign currencies owed to and owned by the United States government in many countries, primarily for agricultural purposes.

(The complete report is held in the committee files.)

Statement of Jim Pelton
President
Colorado Association of Wheat Growers
before the
House Wheat, Soybeans, and Feed Grains Subcommittee
August 28, 1989
Pueblo, Colorado

Mr. Chairman and Members of the Committee:

Thank you for this opportunity to present the views of the Colorado Association of Wheat Growers regarding the issues wheat producers are concerned about for the next generation of farm policy in 1990. I am Jim Pelton, President of the Colorado Association of Wheat Growers. My family and I operate a wheat farm near Cheyenne Wells, Colorado.

Clearly, the 1985 Food Security Act was not perfect. But as a whole, I believe most Colorado producers are genuinely satisfied with the bill. The 1985 Act deserves praise for addressing the very difficult situation that depressed the agriculture economy during the mid 1980's: depressed farm income, a serious farm debt situation, loss of export markets, and burdensome stocks of grains. At about this time in 1986, the U.S. was holding a record level of 1.9 billion bushels of unsold wheat. This stockpile amounted to 97 percent of total domestic and export utilization. In fact, excessive stocks caused many of us to believe that we had entered a new generation of farm surpluses.

As each member of this committee knows, the 1985 bill was the result of many hard compromises. It was constructed as a bridge between earlier programs and more market-oriented policies, and its "front-loaded" costs were anticipated. At the time, we hoped to turn around the wheat situation within the life of the 1985 Act. Significant progress towards reaching this goal has been accomplished, and we hope that new legislation will continue the process of returning agriculture to a sound financial footing.

There are several broad policy concerns that wheat growers have told me they would like to see addressed in the 1990 bill.

First and foremost in the minds of many producers is the desire to continue current farm policy of providing farmers with an income "safety net." The present system of target prices, deficiency payments, and non-recoarse loans have worked to place a floor below which a farmer is protected from adverse price movements. Furthermore, the continued judicious use of annual set-asides and Farmer Owned Reserves will provide the necessary fine-tuning to balance grain supplies for international market needs, food reserve goals, and domestic consumption.

The present farm policy was crafted under the shadow of a burdensome oversupply of almost all major commodities. Although most farmers and policy experts agree that a continuation of present policies is in the best interest of the nation's farmers, there is also a realization that grain supplies and prices have changed dramatically. Therefore, some fine-tuning will be necessary to ensure that farm program policies do not cause a slow-down or stagnation of the farm economy. A prime example of this concern is the repeated calls from some areas of the country for greater planting flexibility.

While the Colorado Association of Wheat Growers is fully cognizant of the demands for greater planting flexibility, the grower-members are adamant that flexibility must not come at the expense of their families' livelihoods. This is why wheat growers are skeptical of the "triple base" concept as it appears to be more budget-driven than flexibility-driven. As we understood this proposal, a grower would have three bases: "permitted acreage" which would be the base acreage minus any acreage reduction or diversion program; "payment acreage" which represents a percentage of potential acres planted to a crop;

and a "released" portion of the base which may be planted to other crops but would earn no program benefits.

We see the "triple base" plan as nothing more than a back door way of cutting target prices. Furthermore, the proposal ignores the fact that wheat producers often lack the cropping options enjoyed by the corn belt or other regions of the country. For example, the combination of low moisture and high altitude make wheat the only viable crop on the Colorado plains. Therefore, we would urge members of this committee to look at the Normal Crop Acreage (NCA) program, with the inclusion of summer fallow acreage, as a viable alternative to triple base and a more equitable way of addressing flexibility concerns.

The Food Security Act of 1985 marked a major policy shift toward a more competitive, export-oriented farm policy. The cornerstone of our export policy has been the Export Enhancement Program (EEP). The program has been used to accomplish three objectives: first, to compete with unfair trade practices in other countries; second, to increase exports of farm commodities; and third, to enhance our bargaining position in the Uruguay Round of Multilateral Trade Negotiations. In the past four years, EEP has resulted in over $8 billion in sales of farm products, including 60 million tons of wheat and 2.7 million tons of flour. In the eyes of most wheat producers, the success of the program is without question - since the initiation of the program in 1985, the U.S. share of the world wheat and flour market has increased from 29 percent in the 1985-86 marketing year to 42 percent in the 1988-89 marketing year.

The enhancement program represents our nations's most powerful trade policy leverage. The importance of the program is best understood when we recall that many of our competitors - especially in Europe - have been subsidizing exports for years. A continuation of the Export Enhancement

Program and the myriad of other export programs has never been more vital to the future of our nation's wheat farmers. As we move forward with the next round of trade negotiations a strong EEP is our best guarantee that other countries will come to the table in a good-faith attempt to negotiate new disciplines and a reduction of trade barriers.

The final broad category that I would like to address today is the environmental arena. The conservation title of the 1985 Act marked a major shift by merging, for the first time, farm program policy and environmental policy. The sodbuster and swampbuster provisions of that title are worthy goals - and are workable when tied to the basic realization that conservation plans must also be economically feasible. The Department's Alternate Conservation System (ACS) is a prime example of balancing our society's conservation goals with economic reality.

As Congress addresses questions regarding the future of the Conservation Reserve Program (CRP) we would urge the members of the Agriculture Committee to weigh the effect it has upon some rural communities and beginning farmers. While the program has removed some very erodible land from production, it has also created a largely unforseen "barrier to entry" for beginning farmers competing with Uncle Sam for a finite amount of farmland. Additionally, many businessmen in rural communities have come to the conclusion that the 25% county-wide cap on CRP enrollment is too high and has accelerated the decline of many rural communities.

Already farmers are weighing the benefits of participation in the farm program against the cost of the conservation compliance. This is important to note because there are many people within the environmental community who would like to tie program benefits to some form of environmental plan. We believe that many Colorado farmers will find that such a "carrot-and-stick" approach to addressing environmental concerns will be too much "stick" and too little "carrot."

Instead of placing more strings upon program participation, we should revamp our existing delivery systems for addressing problems within agriculture. A renewed commitment to research and education will ensure that those of us within agriculture can address concerns about chemical use and its effect upon groundwater, the environment, and food safety. A concerted effort by the agricultural community toward addressing chemical use issues through improved management practices and enhanced education will preclude the need for regulatory solutions to environmental problems.

Mr. Chairman, members of the committee, I thank you for the opportunity to testify. I will be pleased to respond to questions at the appropriate time.

STATEMENT
BY
J. MALCOLM HEFLEY, PRESIDENT
COLORADO CORN GROWERS ASSOCIATION
BEFORE THE
SUBCOMMITTEE ON WHEAT, SOYBEANS, AND FEED GRAINS
COMMITTEE ON AGRICULTURE
U.S. HOUSE OF REPRESENTATIVES
ON AUGUST 28, 1989
PUEBLO, COLORADO

Mr. Chairman: I am J. Malcolm Hefley, a corn grower from Two Buttes, Colorado, and currently serving as President of the Colorado Corn Growers Association. On behalf of corn producers in Colorado I thank you and your colleagues for this opportunity to express our thoughts toward the development of a successor to the 1985 Food Security Act.

This current law known to the farm community as the "1985 Farm Bill" has proven adaptable in response to varying production and marketing circumstances. Those variations of circumstance are well known to this Subcommittee:

- an all time record grain stocks and low prices
- a partial recovery of corn export volumes
- a recovery of commodity prices and improved land values
- a steady annual adjustment of income and price support

for program commodities that resulted in decreasing federal outlays for farm programs from about $26 billion to about $11 billion in only four years - about a 57 percent decline.

Provisions of the 1985 Food Security Act have proven practical and flexible under these widely varying conditions, and did schedule reductions in the Federal deficit and should provide the basis for drafting omnibus farm legislation at its expiration. We in agriculture recognize the importance of reducing the federal deficit and its potential impact on the national economy. In addition to the scheduled reductions in the 1985 Farm Bill, the Gramm-Rudman-Hollings deficit reduction package developed after the October 19, 1987, stock market plunge, required farm spending be reduced by $900 million in 1988 and by an additional $1.5 billion in 1989. For corn growers, these actions required an additional reduction of 1.4 percent in the target price in 1988 and 1989 crops.

In light of the USDA's disproportionate contributions toward reducing the Federal deficit through such sharp reductions, we feel it should be required that all sectors of the government and economy share equally in any budget adjustment that is undertaken. We would like to emphasize that USDA's annual entitlement is just under 4% of the total such expenditures but is potentially exposed to 20% reductions under Gramm-Rudman-

Hollings sequestration orders.

As a solution to possible further federal budget reductions which will result in further declines in federal out lays for U.S. corn and agricultural programs, the increased disappearance of our agricultural production must be achieved in order to realize higher prices from the market place. We feel one way to do this is by putting into place commercial credit and export policies for agricultural exports. As corn growers we would encourage the continuation of the Export Enhancement Program. To date there has been little corn sold through the EEP program. This is an area in which corn exports could be expanded. In this stead we urge the United States to offer Most-Favored Nation (MFN) status to the U.S.S.R., and necessary modifications of the law to accomplish this objective.

Also included in the 1985 Farm Bill is the sugar program with an 18 cent per pound loan rate through 1990. Legislation requires that the sugar program be operated at "no net cost". Accordingly, the USDA annually adjusts the sugar import quota to maintain this economic equilibrium. The current sugar program is working at no cost to the federal government, however since its inception it has been under almost continuous attack from administration and sugar users.

The importance of the U.S. Sugar Program to corn growers cannot be understated. The production of high fructose corn sweeteners, provided corn growers in 1987 with their third largest market behind livestock and export markets or the equivalent of one-half of the U.S. annual corn exports to the U.S.S.R.

I would also like to comment on the concept of providing farmers the flexibility to plant other crops on program base acres. We favor a greater degree of farmers flexibility in planting their crops. The western irrigated corn belt, however does have extremely limited alternatives for other crops, and the market demand is minuscule in relation to acres devoted to the crop most appropriate to our circumstances - corn.

We are heartened to see the current Administration's initiative to offer support for alternatives to fossil fuel as they become aware of the positive effects ethanol fuel can have on the environment. Colorado corn growers have worked diligently to facilitate the nation's first oxygenated fuels program here in Colorado as the most significant strategy to reduce unhealthy levels of carbon monoxide. And in production - it has gone largely unrecognized that an acre of 120 bushel of corn consumes 12.6 tons of carbon dioxide, the atmospheric gas largely responsible for the "greenhouse effect." We are part of the solution, not part of the problem.

The 6 cent per gallon exemption for ethanol from the federal motor fuel excise tax should be extended to the year 2010. Such an extension will allow renewable, environmentally benign fuels to make an impressive contribution to air quality. Tax incentives for the industry would take proposed ethanol plant construction past the planning stages to actually putting the steel in the ground. Such plants would provide additional jobs to further benefit the rural economy.

We see the future of the corn industry significantly dependent upon research and development in the fields related to industrial biotechnology. We have seen successes in the field of materials development, such as degradable plastics, and expect additional advances in the field of new, lightweight materials for the automobile and aerospace industries such as stronger-than-steel composites. I would like to submit several issue briefing papers prepared by the National Corn Growers Association with our input as part of my statement. We would urge the Federal Government to allocate some monies for research in this area beyond the traditional parameter. This would enable industry to take a bold step into the area of industrial biotechnology.

New farm legislation will undoubtedly have to accommodate growing concerns for numerous environmental issues among which are water quality and soil conservation. "Food Safety" is becoming a more worrisome issue, and increasingly debated with more heat than facts. We fear legislative efforts under the broad heading of

food safety - with implications for the use of agricultural chemicals - being developed by a number of committees in Congress. We urge you and your colleagues on the Agriculture committee to press for joint responsibility in writing such legislation.

Again, I appreciate the invitation to make our views known to this subcommittee, and I thank you for conducting these hearings. It indicates to farmers that you and your colleagues have a sincere interest in and concern for the issues we face. I would be pleased to respond to questions you may have.

(Attachments follow:)

APPENDICES TO CCGA TESTIMONY, AUGUST 28, 1989, PUEBLO, COLORADO, J. MALCOLM HEFLEY, PRESIDENT

National Corn
Growers Association

Issue: FEDERAL BUDGET/AGRICULTURE IN FY 1990 BUDGET

Background: Following the October 19, 1987, stock market plunge, Congress developed a two-year, $76 billion budget reconciliation package to bring the federal deficit in line with the Gramm-Rudman-Hollings (GRH) deficit reduction requirements. These efforts were undertaken to avoid an automatic 8.5 percent sequestration (an estimated $.16/bushel in 1988) of federal spending. For agriculture, this deficit reduction package required farm spending to be reduced by $900 million in 1988 and an additional $1.5 billion in 1989. For corn growers, these actions required an additional reduction of 1.4 percent in the target price for 1988 and 1989 crops -- in addition to the scheduled reductions in the 1985 Farm Bill.

Discussion: President Bush's first budget message to Congress made little mention of additional cuts in farm spending. However, the written version of President Bush's budget plan for agriculture seems to "mirror" the Reagan budget. That means a proposed $1.1 billion cut in farm program spending for fiscal 1990. The Reagan budget also called for farm programs to be cut an additional $2 - 2.5 billion each year from 1991 - 1994. Bush's exact agricultural spending priorities are still somewhat sketchy at this point. He has repeatedly noted the need for opening export markets and placing additional emphasis on new research. However, he's been reluctant to pinpoint where cuts would be made to finance these or other new initiatives. Most likely ways to reduce farm program spending: lower target prices or reduce the number of base acres eligible for farm programs. The feed grains program will continue to be a prime target for budget cutters, even though spending has dramatically declined. The chart below shows USDA estimates for net CCC program outlays by commodity. This information was included in President Reagan's USDA budget proposal.

	Fiscal Years				
Commodity	1986	1987	1988	1989	1990
	----------million dollars ----------				
Feed Grains	$12,211	$13,967	$ 9,053	$ 3,042	$ 5,562
Wheat	3,440	2,836	678	279	1,052
Rice	947	906	129	999	959
Cotton, Upland ...	2,142	1,786	666	2,538	994
Tobacco	253	-346	-453	-569	-280
Dairy	2,337	1,155	1,295	662	893
Soybeans	1,597	-476	-1,676	-32	116
Honey	89	73	100	60	55
Wool	123	152	131	89	98
Disaster Assist. .	- 0 -	- 0 -	- 0 -	4,515 a/	- 0 -
Other	2,702	2,344	2,539	2,260	2,130
Total CCC Outlays Under Current Law	$25,841	$22,408	$12,461	$13,843	$11,579

Notwithstanding budget reduction action in 1987 and 1988, the potential for additional budget cutting in 1990 is increasing. Unfortunately, agricultural spending is often mentioned as a likely source of budget savings. Therefore, it is important to note the significant contributions agriculture already has, currently is, and is projected to make to reduce spending and subsequently deficit reduction. Agriculture recognizes the importance of reducing the federal deficit and its potential impact on the national economy. At the same time, however, Congress and the Administration must recognize that agriculture has already made a tremendous contribution towards budget savings. Therefore, equity and balance must be the order of the day should the need arise to consider additional spending reduction alternatives.

Action: As additional budget reductions are needed through either Gramm-Rudman-Hollings sequestrations or budget reconciliation actions, require that all sectors of the government and the economy share equally in any budget adjustment that is taken -- but stressing the disproportionate USDA contributions in reducing the federal deficit through sharp reductions in farm expenditures over the past three years. It should be emphasized also that USDA's annual entitlement expenditure is just under 4% of the total such federal expenditures but is potential exposed to a 20% reduction under GRH sequestration orders.

National Corn
Growers Association

Issue: MOST-FAVORED-NATION (MFN) STATUS FOR THE SOVIET UNION

Background: The history of U.S. and Soviet grain trade is simply replete with difficulties inasmuch as there has been various clashes of social, economic and political interests both at home and in third-countries. The real beginning of Soviet purchases of U.S. corn and wheat began in 1971 following the authorization of a three-year CCC line of commercial credit to the Soviet Union. That line of CCC credit provided for up to $750 million dollars of CCC credit for a three-year period of time, but not to exceed $500 million dollars of purchases within any individual year and to be repaid in three equal annual payments of both principle and interest. As you know, the Soviet Union made maximum use of that CCC credit facility, and repaid the facility on time.

Because of the U.S. concerns about the out-migration of Jewish dissidents in the early 1970's, several laws were passed that placed severe limitations on any further extensions of U.S. Government direct or indirect credits for import purchases by the Soviet Union: the Stevenson Amendment in 1972 and the Jackson-Vanik Amendment in 1974. The latter amendment required that the President must certify that the Soviet Union was, among other things, allowing the permissible applicants for Jewish out-migration each year. Since the early 1970's the Soviet record in this regard prevented any President from making that certification in the United States Congress.

Even in the absence of U.S. Government sponsored credit programs, the Soviet Union made surprisingly large purchases of both corn and wheat in the mid-1970's, a development that resulted in the 1975 US-USSR Grain Agreement that essentially limited the Soviet access to U.S. grain markets with significant supervision by the U.S. Department of Agriculture.

We need not discuss the Soviet invasion of Afghanistan and the ensuing embargo on commercial trade between the United States and the Soviet Union. Although the 1975 Grain Agreement was not abrogated, the annual purchase volume by the Soviet Union was strictly adhered to. Nonetheless, in 1983 a new and expanded five-year grain agreement went into place. It has now been extended for another two and one-quarter years, due to expire on December 31, 1990.

Recent advances and modifications of both domestic and international policies under Gorbachev in the late 1980's strongly suggest a review of the restrictions on commercial agricultural trade required by either the Stevenson Amendment, the Jackson-Vanik Amendment or both:

- scheduled Soviet withdrawal from Afghanistan
- upwards to 20,000 out-migrations of Jewish dissidents in 1988
- introduction of "perestroika" that is really a movement towards a market-oriented economy for the allocation of sources resources

- various arms control agreements and the outlook for further negotiations on other military-security matters

- Soviet initiatives to join the GATT, the World Bank, etc.

- recently concluded commercial accord between the COMECON Countries and the European Economic Community

- almost $5 billion in credits and lending facilities from EC countries to the Soviet Union

Discussion: It is now time for the United States to reassess its policies toward both agricultural and other sector trades with the Soviet Union -- if for no other reason than to remain competitive with other foreign countries and particularly with the EEC competition in grain and agricultural trade with the Soviet Union. This reassessment must begin with both the Stevenson and Jackson-Vanik amendments, as well as the long-held U.S. position to oppose Soviet membership in the General Agreement on Tariffs and Trade (GATT).

While corn and other grain trade continues to prevail under the 1985 US-USSR Grain Agreement, the real potential for U.S. corn and grain exports cannot be realized until such trade is placed on a genuine commercial basis -- including such usual commercial facilities as credit and including CCC credits for Soviet purchases of U.S. corn and agricultural products (see Attachment "A" called "U.S. - U.S.S.R. Grain Agreement").

Within the context of further federal budget reductions that will result in further declines in federal outlays for U.S. corn and agricultural programs, we must look to increased disappearance of our agricultural production in order to realize higher prices from the marketplace. There is no better way to achieve this goal than to put into place commercial credit and export policies for agricultural exports, such as the re-authorization of commercial CCC credits to the Soviet Union and the U.S. support of Soviet membership in the General Agreements on Tariffs and Trade.

Most-Favored Nation (MFN) status is a commitment by a country to extend to another country the lowest tariff rates or the most favorable non-tariffs policies that it applies to any third country. All contracting parties to the General Agreement on Tariffs and Trade (GATT) undertake to apply such nondiscriminatory treatment to each other. The United States bilaterally extends MFN status to all market economies, but excludes non-market economies from receiving MFN benefits, with the exception of Poland, Hungary and Yugoslavia. For the U.S., the denying of MFN status is directly linked to human rights issues through the Jackson-Vanik provisions in the Trade Act of 1974. The objective of Jackson-Vanik is to exert economic pressure on non-market economies to allow free emigration of their citizens. In the case of the Soviet Union, the human rights issue is closely tied to allowing Jewish emigration.

The U.S. is prohibited by Jackson-Vanik from granting non-market economies the following: (1) Most-Favored Nation treatment if they did not already qualify on January 3, 1975 (Poland and Yugoslavia qualified), (2) U.S. government credit or credit guarantees, or investment guarantees, and (3) commercial agreements that provide for MFN treatment or other mutual rights and obligations. The lack of MFN status, and the discriminatory treatment implicit in that restriction, are of major concern to the Soviet Union in its trade relations with the United States.

The U.S. has had a large trade surplus with the Soviet Union largely because of Soviet grain imports. The Soviets believe strongly in reciprocal trade and have attempted to link reduced grain purchases to efforts to eliminate the trade deficit with the United States. The granting of MFN status to the Soviet Union would eliminate discrimination against Soviet imports into the U.S. and allow the Soviets to compete on a more equitable basis with other suppliers. An increase in U.S. access of Soviet goods could translate into an increase in Soviet purchases of U.S. agricultural commodities.

Action: Urge the U.S. to offer Most-Favored Nation (MFN) status to the U.S.S.R., and the necessary modifications of law to accomplish this objective.

U.S. - U.S.S.R. LONG TERM GRAIN AGREEMENT

The salient provisions in the 1983 grain agreement were as follows, and the five-year agreement was extended until December 30, 1990:

- the United States would offer at least four million tons of corn; four million tons of wheat, and/or 500,000 tons of soybeans to the Soviet Union each year of the agreement. Soviet purchases of the 500,000 tons of soybeans would count for one million tons of either corn, wheat or both.

- the Soviet Union would purchase at least the annual minimum of corn, wheat and/or soybeans each year, with the benefit of increasing its annual corn and wheat purchases by an additional three million tons without any further consultations with the United States.

- under Article I of the 1983 Agreement, it is specified "... purchases/sales of commodities under this Agreement will be made at the market price prevailing for these products at the time of purchase/sales and in accordance with normal commercial terms..."

For the period from October 1, 1983, to the present, U.S. grain export sales to the Soviet Union for import purchases have been as follows as of March 15, 1989:

Year 1/	Corn	Wheat	Soybeans	Soymeal	Total
		(Million Tons)			
1983/84	6.5	7.6	0.5	-0-	14.6
1984/85	16.7	2.9	-0-	-0-	18.7
1985/86	6.8	0.2	1.5	-0-	8.5
1986/87	1.5	-0-	-0-	-0-	1.5
1987/88	5.2	9.1	0.8	1.3	16.4
1988/89 2/	10.2	4.0	0.5	1.4	16.4
Cum. Totals	45.9	23.8	3.3	2.7	75.7

1/ Shipping year of the basis of October 1 - September 30.
2/ 507,000 tons of U.S. grain sorghum has been purchased by the Soviet Union, and is not included in "Total".

National Corn
Growers Association

Issue: SUGAR

Background: The 1985 Farm Bill extended the sugar program and its 18 cents per pound loan rate through 1990. To eliminate the prospect of financial exposure to the federal government, the legislation required that the sugar program be operated at "no net cost". Accordingly, the USDA annually adjusts the sugar import quota to maintain this economic equilibrium.

Since its inception, the sugar program has been under almost continuous attack from the administration and sugar users. Most recently, legislation was introduced to cut the loan rate from 18 cents per pound to 12 cents per pound, provide "transition" payments to sugar beet and sugar cane growers and establish an annual import quota at not less than 2 million short tons. The importance of the U.S. Sugar Program to corn growers cannot be understated. In 1987 alone, 540 million bushels of corn were consumed to produce high fructose corn sweeteners, providing corn growers with their third largest market behind livestock and export markets.

Unfortunately, this legislative proposal does little to resolve many of the problems it was designed to benefit-consumer prices, Caribbean Basin countries, and the balance of trade. To exemplify this point, on September 5, 1986, Secretary of Agriculture Richard Lyng stated ...

> "EC farm price supports throughout the 1970s pushed the Community from status as a net importer to a major producer and a net exporter of sugar. Since 1977, when the EC became a net exporter, internal price supports for sugar have risen by 70 percent. During that time, the EC has dumped on the world market nearly 25 million metric tons of sugar. 'Dumped' is the apt term because the EC has taken every measure to avoid accumulation of ending stocks. During the years since 1977, EC ending stocks have not changed while world ending stocks have increased by more than 25 million tons."
>
> The less developed countries bear the brunt of this policy. Dumping sugar has depressed the prices of the stocks which they must sell. This has resulted in billions of dollars of losses in export earnings."

In addition to EC dumping, another pressure undermining the viability of the sugar program is rapidly expanding imports of sugar-containing products. These imports have increased by more than 300 percent since 1982, totalling 1.48 million short tons in 1986.

Discussion: It is difficult, it not impossible, to modify the sugar program as long as EC dumping continues and the importation of sugar-containing products is not controlled.

The current sugar program works

- at no cost to the federal government.

- as resistance to predatory foreign sugar policies. The average world cost of raw sugar is $.15 per pound for cane and $.23 per beet, but the current world price is approximately $.08 per pound due to foreign subsidies. Weakening the sugar program would signal U.S. acquiescence to the unfair sugar subsidies of the EC and other exporters.

- as protection for U.S. consumers. Lower sugar supports which would destroy the U.S. industry, will not lower prices for consumers but will leave the consumers at the mercy of volatile world sugar prices. In the end, U.S. consumers may pay more for sweeteners, not less. For example, since 1980, although U.S. sugar prices have gone down 5.3 per cent, the price of sugar-containing products has risen 30 percent, since industrial users have not passed on savings.

- to preserve a competitive domestic industry. U.S. sugar is produced at about the average world cost. High fructose corn sweeteners are the lowest cost sweeteners in the world.

Action: The NCGA strongly supports maintaining the sugar program to insulate the U.S. sweetener industry from the effects of foreign subsidized sugar exports until such foreign subsidies are eliminated.

National Corn
Growers Association

Issue: DEGRADABLE PLASTICS

Background: Since the late 1940s, the use of plastics for packaging has grown by leaps and bounds. The proportion of plastic in waste has grown to the point where the immense quantities requiring disposal have become a problem.

Plastics waste is not only a problem in waste management. Improper disposal of plastic materials in waterways and on land has become an increasing concern due to its unsightly nature and the damage caused to wildlife through entrapment or ingestion.

Using cornstarch in the production of plastics can make them more digestible to fungi and bacteria and therefore, degrade in three to five years rather than centuries. Corn based degradable plastics not only diminish the problem of plastic wastes, but also create a new market for U.S. corn growers.

Discussion:

- Plastics contribute over 7 percent by weight and over 30 percent by volume of the garbage discarded into the solid waste stream.
- Each American currently produces about five pounds of garbage a day compared to 2.9 pounds a day in 1960.
- The EPA estimates that 27 states will face severe landfill capacity problems within five years.
- More than 90 percent of America's waste is buried in landfills.
- Landfill is the cheapest method of disposal, sometimes as low as $3 per ton. But as landfill space becomes scarce, disposal fees of more than $100 per ton have been reported.
- Incineration is another method of waste disposal. However, the public is concerned about air pollution from this method as well as toxic ash.
- Recycling has its problems including the instabilities of markets for some of the materials and technical barriers to the recycling of mixed materials especially when it relates to the many different types of plastics used.

Action: We encourage your support for initiatives to foster the development and growth of cornstarch based degradable plastics thereby creating a new market for the nation's largest renewable resource - CORN.

National Corn
Growers Association

Issue: ETHANOL

Background: The domestic fuel ethanol industry came into existence in the late 1970s in response to gasoline shortages and the need for alternate sources of liquid fuel to reduce dependence on foreign oil. While ethanol was originally used to extend supplies of petroleum-based fuels, ethanol has become one of the most valuable additives available to boost gasoline octane.

In 1988, the domestic fuel ethanol industry produced and marketed over 850 million gallons of ethanol, creating a cash market for some 340 million bushels of grain, increasing farm income by an estimated $1 billion and lowering federal farm program costs by $700 million. Ethanol has become one of the nation's premier octane enhancing additives for today's gasolines.

Today, fuel ethanol blends have won substantial consumer acceptance with an 8 percent share of the national automotive fuel market. Since 1980, consumers have driven over 500 billion miles on ethanol blended fuels, and every automobile manufacturer in the world recognizes ethanol's performance benefits and provides full warranty coverage for 10 percent ethanol blends.

In addition to raising the octane of gasoline by three full points, ethanol has a number of significant environmental benefits which make it an effective pollution reduction option for the nation's 90 carbon-monoxide and ozone non-attainment cities. Colorado is currently requiring the use of oxygenated fuels to reduce carbon-monoxide levels. Other states, Arizona, New Mexico and Nevada for example, will implement ethanol blended programs in late 1989 as part of their State Implementation Plans to come into compliance with EPA standards. Specifically, the use of ethanol blends will reduce motor vehicle emissions of carbon monoxide by approximately 25-30 percent. Because the oxygen content of an ethanol blend is almost twice that of other oxygenated fuels, its ability to reduce carbon monoxide levels is greater than any alternative oxygenated fuel.

Discussion: Since 1978, the U.S. Congress and many states have taken significant steps to encourage the production and use of fuel ethanol. Currently, the law provides for a cents per gallon excise tax exemption on any gasoline which contains at least 10 percent ethanol. The excise tax exemption expires on September 30, 1993.

Action: We encourage your continued support for initiatives to foster the development and growth of a domestic ethanol industry. Specifically, we would encourage the extension of the excise tax exemption for ethanol blended fuels to the year 2000 and the expanded use of ethanol for its environmental and octane enhancing properties to achieve a goal of 1.2 billion bushels of annual corn consumption for ethanol by 1995.

Corwin Brown
President
Colorado Cattlemen's Association

August 28, 1989

Mr. Chairman, my name is Corwin Brown and I serve as the President of the Colorado Cattlemen's Association. CCA has 2300 members and represents primarily the cow-calf and stocker cattle farmers and ranchers within the state of Colorado. I operate a purebred Simmental operation and manage two ranches which run up to 2000 yearlings annually as well as an ag real estate/ranch management firm in Springfield, Colorado.

Agriculture is the 2nd largest industry within our state and generated $3.2 billion dollars in cash receipts in 1987. Colorado's cattle industry represents $2 billion dollars, or 62% of these total ag receipts. Nationally, the cattle industry is a $35 billion business which represents the largest segment of American agriculture.

The Colorado Cattlemen's Association appreciates this opportunity to submit testimony in regards to the formulation of the 1990 Farm Bill. While the cattle industry may not be directly impacted by many of the provisions within the Farm Bill, our industry relies very heavily on those commodity areas which are influenced to a large degree. Therefore, because of the size and scope of our industry, and the direct relationship between our industry and other commodities, we have a vested interest in this very important legislation.

We would like to stress, first and foremost, that fair and equitable treatment of all commodity groups is essential to the success of any agriculture legislation. As producers, we cannot support legislation which benefits one commodity group at the expense of another. When drafting language for the 1990 Farm Bill, we urge you to consider the overall impact of this legislation on ALL areas of agriculture.

One of our primary concerns with the 1985 Food Security Act is Section 1314 which authorizes the Farmers Home Administration to grant conservation easements. Further, the 1987 Farm Credit Act gives the Secretary of Agriculture discretionary authority to transfer title of interagency and FmHA foreclosed inventory property. As a part of the "swampbuster" legislation which supports the "no net loss of wetlands" concept, these dangerous provisions tie up additional lands under public ownership and thereby reduce the value of surrounding private lands. The Fish & Wildlife Service is having a field day with these provisions and continues to pressure FmHA for increased easement restrictions. Such restrictions provide the FWS with a tool to convince state and local authorities to transfer title of the property to them. Many good producing ranches within our state have been devastated by this legislation and others stand in line for the wetlands easement ax. (Please see attachments.) We strongly urge this Committee to put a hold on such easement designations and contemplated transfers until the President's Task Force on "no net loss" has completed their "how to" guidelines. At that point, such actions can be incorporated into an overall objective program which does not have a negative impact on agriculture.

We have many grain and livestock producers within our state who are participating in the Conservation Reserve Program and Wheat, Soybeans and Feed Grains programs. As cattlemen, we disagree with any provision to allow these acreages to be harvested for additional profit. However, while we may oppose such practices, we feel it is even more important that the treatment of these acreages be consistent between states. Allowing the individual states to determine the policies for handling these programs creates inconsistent rulings and puts many producers at a competitive disadvantage. This situation became painfully apparent in 1987 when hay producers in Colorado, a state which did NOT allow harvesting of Conserving Use acres, faced plentiful hay supplies in neighboring states which encouraged this practice. Allowing such harvesting of Conserving Use acres in some states resulted in depressed hay prices and reduced demand nationwide. This, in turn, resulted in an unprofitable environment for Colorado's hay producers. Again, we urge this Committee to investigate the overall impact of all future agriculture legislation so as not to tip the scales inequitably for some commodity groups.

We are concerned that the Conservation title of the 1990 Farm Bill may prove to be the most controversial in the sense that forces outside of the agricultural mainstream will have input into this title. From environmental groups to other committees in Congress, the debate regarding conservation may be the most hard fought battle. As stewards of the land for many decades, cattlemen are very concerned about the quality of our environment. However, we question the methods used to address this issue. We believe it is imperative to closely guard private property rights as Congress writes environmental laws. It is vital to the future of our industry that the 1990 Food Securities Act be drafted by the Agriculture Committees which have jurisdication over this area. It is both unfair and unwise to allow other entities to overstep their bounds and skew this important legislation to satisfy their own desires. The agriculture community was dismayed to see this apparent misuse of power occur last year when the House Interior Committee passed the Oregon Wild & Scenic Rivers Act and adversely affected 500 miles of agriculture land along Oregon's rivers. Farmers and ranchers will depend on both of the Agricultural Committees to defend and protect private property rights.

Mr. Chairman, we thank you for this opportunity to comment today.

(Attachment follows:)

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

GRANT OF EASEMENT WITH TERMS AND CONDITIONS

THIS GRANT OF EASEMENT with TERMS and CONDITIONS, is made by and between the United States of America acting by and through the Secretary of Agriculture or his authorized representative, hereinafter "Grantor", and the State of Colorado, acting by and through the Department of Natural Resources for the use and benefit of the Division of Wildlife and the Wildlife Commission.

Whereas Section 1314 of the Food Security Act of 1985 Authorizes the Farmers Home Administration to grant easements for conservation purposes; and

Whereas the land described below meets the criteria of Section 1314 of the Food Security Act of 1985;

Now therefore the United States of America, for and in consideration of these premises, hereby grants a permanent easement to the State of Colorado for the protection of big game winter range located in Gunnison and Saguache Counties, State of Colorado. The Easement herein granted and the obligation of the Grantor shall run with the land in perpetuity and binds the Grantor, its successors and assigns.

I. Description of the Easement Area

The lands covered by this easement are located within the following described legal subdivision in Gunnison and Saguache Counties, State of Colorado:

Township 48 North, Range 3 East N.M.P.M.

Gunnison County

Section 7: East Half Southeast Quarter (E1/2SE1/4)

Section 8: Northeast Quarter Northwest Quarter (NE1/4NW1/4)
South Half Northeast Quarter (S1/2NE1/4)
Southwest Quarter (SW1/4)
Southeast Quarter Northwest Quarter (SE1/4NW1/4)

Section 9: North Half (N1/2), North Half Southeast Quarter (N1/2SE1/4)

Section 10: Northwest Quarter Southwest Quarter (NW1/4SW1/4)
West Half Northwest Quarter (W1/2NW1/4)

Section 10: Northwest Quarter Southwest Quarter (NW1/4SW1/4)
West Half Northwest Quarter (W1/2NW1/4)

Section 16: North Half Northeast Quarter (N1/2NE1/4)

Section 17: North Half Northwest Quarter (N1/2NW1/4)

Section 18: Northeast Quarter Northeast Quarter (NE1/4NE1/4)

Saguache County

Section 16: East Half Northeast Quarter (E1/2NE1/4)
Southeast Quarter (SE1/4)
Southeast Quarter Northwest Quarter (SE1/4NW1/4)

Section 17: West Half Northwest Quarter (W1/2NW1/4)

II. Covenants by the Landowner

A. No dwellings, barns, outbuildings or other structures shall be built within the easement area.

B. All of the land and water on this property will be managed and maintained in accordance with an approved Conservation Plan mutually developed by the U.S. Soil Conservation Service and the Colorado Division of Wildlife. The portion of the plan affecting the described easement area shall be approved by the Colorado Division of Wildlife.

III. Rights Granted to the Colorado Division of Wildlife

The United States, on behalf of itself, its successors and assigns, grants the right, at its sole discretion, to manage the easement area, including the following authorities, to the Colorado Division of Wildlife:

A. The right of ingress and egress to conduct easement area monitoring, and enforcement activities. The Division of Wildlife may utilize any reasonably convenient route of access to the easement area. However, the landowner may provide a designated route to and from the easement area so that damage to farm operations can be reasonably avoided. Enforcement of the provisions of this grant shall be performed by the Colorado Division of Wildlife in accordance with Title 33, Article 1, Colorado Revised Statutes.

IV. General Provisions

A. The agreed upon purposes of this easement are the preservation and maintenance of big game winter range. Any ambiguities in this easement shall be construed in a manner which best effectuates big game winter range preservation and fish and wildlife purposes.

B. Any subsequent amendment to or repeal of any federal law or order which authorizes this easement shall not affect the rights granted herein by the United States, its successors or assigns.

C. For purposes of this easement, management rights granted by the United States include, but are not limited to, inspection for compliance with the terms of this easement; research regarding big game use.

D. The Colorado Division of Wildlife shall have the right to make surveys, take photographs and prepare such other documentation as may be necessary or desirable to administer the provision of this easement. Any such map, plat or other suitable document may be recorded in the lands records of the respective county wherein the property is located

E. This easement does not authorize public entry upon or use of land. Unless the Colorado Division of Wildlife prohibits public entry, the landowner may permit it at the landowner's discretion.

F. The landowner and his invitees may hunt and fish on the easement area in accordance with all federal, state, and local regulations.

G. This easement shall be binding on the landowner, and the landowner's successors or assigns. The landowner covenants to warrant and defend unto the Colorado Division of Wildlife, its successors or assigns, the quiet and peaceable use and enjoyment of the land and interests in the land constituting this easement against all claims and demands.

Dated: 4-27-88

UNITED STATES OF AMERICA
By Ruth M Fountain
Title State Director
Farmers Home Administration

ACKNOWLEDGEMENT

STATE OF COLORADO)
CITY AND)ss:
COUNTY OF DENVER)

On this 27th day of April 1988, before me the subscriber, a Notary Public, in and for the above County and State, appeared Ruth M. Fountain, known to me to be the State Director, Farmers Home Administration, United States Department of Agriculture, the person who executed the foregoing instrument and he acknowledged to me that he executed the same as his free act and deed of the United States of America, for the uses and purposes herein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and seal at Denver, Colorado, the day and year aforesaid.

Lois J. Kothe
(Notary Public)

My commission expires: July 31, 1990

Business Address:
2490 West 26th Avenue
Denver, CO 80211

ACCEPTANCE

The Colorado Division of Wildlife acting by and through its authorized representative has executed this agreement on this ___ day of__________.

COLORADO DIVISION OF WILDLIFE

By ______________________
Director

FmHA DEED RESTRICTIONS
(April 8, 1988)

Property Name	Advice No.	County	Description
Abts (534 acres)*	05556	Logan	Intermit wetland adjacent to large Tamarack Management Area (DOW deeded land). State Wildlife will request fee title on wetlands portions of this farm.
Minton (2640 acres)*	05272	Yuma	To protect critical habitat State endangered Greater Prairie Chicken.
Akey (644 acres)*	05672	Yuma	To protect critical habitat State endangered Greater Prairie Chicken.
Crites (720 acres)*	05498	Yuma	To protect critical habitat State endangered Greater Prairie Chicken.
Stone (595 acres)*	30134	Yuma	To protect critical habitat State endangered Greater Prairie Chicken.
Dunn (800 acres)*	05346	Washington	To protect critical habitat State endangered Greater Prairie Chicken.
Faderrecht (480 acres)*	32205	Washington	To protect critical habitat State endangered Greater Prairie Chicken.

(April 20, 1988)

Property Name	Advice No.	County	Description
Saffer (720 acres)*	50666	Kit Carson	Permanent wetland (40 acres)
Hereford Haven (698 acres)*	65775	Routt	Protection of the Yampa River riparian zone and floodplain (236 acres river and bank, etc.).
Cooper Spur (Rhodes) (1560 acres)*	27804	Routt	Protection of big game winter range.
Viking Valley (1480 acres)*	05100	Saguache/ Gunnison	Critical Sage grouse booming and nesting grounds. Some riparian area. DOW has requested development rights.

(April 20, 1988) continued

Maggart (480 acres)*	05056	Washington	Protection of a grassland area.
Tollison (136 acres)*	30620	Weld	Protect a native 41 acre wetland and to protect the remainder of the property for ground nesting species (all of the agricultural ground is highly erodible).
Bollinger (467 acres)*	05058	Morgan	180 acres of 467 acres is wetland and big game habitat. Within one mile of DOW water fowl development with Ducks Unlimited (MARSH project). DOW may request fee title on the 180 acres (world record mule deer non-typical for pope and young taken off of this property this fall).

*Complete property acreage

41988/1664H

Mr. Chairman; Members of the Sub-committee -

My name is Jay Hickert and I'm the president of the Colorado Cattle Feeders Association. We appreciate the opportunity to make comments before this hearing today.

As you know, the cost and availability of feed grains are of critical importance to our industry. There are several issues of concern as we look to the 1990 Farm Bill. The first of which is a concern that there's a potential, of programs being pivotal on certain production practices such as using production pesticides. We discourage the encouragement of certain production practices for farmers participating in the program over those not participating. If the use of herbicides or chemicals is dangerous to the environment, those uses should be discouraged in all areas, not limited strictly for those participating in a program.

The second issue is one of consistency. In Colorado we had a serious problem with the implementation of portions of the 1985 Farm Bill. Such as the haying and grazing on set aside acres including ACR, CU, and conservation reserve acres. When it is left to each state to make the determination whether to allow harvesting of these acres, the possibility for state politics to come into play, and put one state at a disadvantage over another occurs. To give an example, in the haying and grazing issue, Colorado was one of only a handful of states that did not allow producers to hay and graze ACR and CU acres. All other major cattle feeding states and all surrounding states were allowed to hay and graze, putting Colorado's feeding industry at a disadvantage because the availability of forages was not as plentiful as those in surrounding states. This decision in Colorado was based totally on politics and not on economics or an availability of product. We encourage that, whatever programs are developed, they be implemented nationwide. If there needs to be flexibility within different areas of the country, let the same group or the Secretary of Agriculture determine where those appropriate areas are. Do not let individual state politics play a role.

A third issue of concern, is a repeat of the dairy termination program. Obviously the program implemented in 1986 did not have a positive effect on the production of dairy products, which was to have reduced the amount of surplus milk. It did have a devastating effect on the cattle industry. Such programs need to be reviewed and need serious consideration before being included in a farm bill.

The feeding industry is the ultimate consumer of the feed grains which are produced in this nation. Programs such as drought legislation and production limitations are important, but one segment or one type of producer should not benefit solely because of those qualifications. The people who benefit should be those who need the help, not putting any other segment or type of producer at a disadvantage either for pricing or marketing. Those producers should not be able to benefit in either price or availability of the product solely on those attributes. The cattle feeding industry obviously needs a strong supply of feed grains, but we do not need an over supply. Therefore, feed programs are of major concern to the Colorado Cattle Feeders Association.

I again thank you for coming out to Pueblo and inviting us to make these comments this morning. If there are any questions, I'd be pleased to answer them.

Testimony of
JOHN STENCEL
President of Rocky Mountain Farmers Union

Presented to
The Subcommittee on Wheat, Soybeans, and Feed Grains
U. S. House Committee on Agriculture
August 28, 1989

Good morning, Mr. Chairman and fellow subcommittee members. My name is John Stencel, and I am president of Rocky Mountain Farmers Union, a general family farm and ranch organization representing about 18,000 farm and ranch families in Colorado, New Mexico, and Wyoming.

I would like to welcome you to Colorado, my native state, and to our Colorado State Fair. I hope you will have the time and opportunity to visit the fair, to visit with our good Colorado people, and to see the best of Colorado's agricultural products. We would like to thank our Colorado congressmen, Ben Nighthorse Campbell and Hank Brown, for bringing this hearing to Colorado. We welcome the opportunity to visit with you about the problems facing Colorado agriculture.

I grew up on an irrigated farm near Greeley, Colorado, and I have dealt with Colorado agriculture and its problems and concerns all my adult life. Agriculture is very important to Colorado, where it is one of our three largest industries, bringing in more than $10 billion in gross revenues every year and accounting for more than 86,000 jobs. In 1988 Colorado ranked sixth in the nation in production of winter wheat and sixth in the United States in all wheat. Colorado was tenth in grain sorghum and tenth in land in farms. In barley Colorado was ranked eighth.

Farmers Union stands for a simplified and more direct program that returns to the goal of assuring producers a reasonable livelihood by providing price and income protection on a family farm level of production. In other words, we stand for the sustainability of family farms, whether we are discussing commodity programs or the best stewardship of our soil and water resources. The single best thing we can do to encourage good resource stewardship practices is to give farmers the realistic hope of passing a profitable farm operation down to the next generation.

Farm Program

The triple base idea is, in our opinion, "decoupling lite". This concept will drive market prices lower and encourage greater production, which in the long run will leave only the producer that had the largest bank account at the start of the program. The concept of growing a crop and selling it below the cost of production is not the kind of flexibility that American farmers want.

The idea that there are many opportunities in nonprogram crops is a myth. In fact, the profitability of these crops will be shattered very quickly if large numbers of acres are diverted out of major program crops.

We must remember that several significant changes have occurred since the 1985 farm bill debate. There is a very large block of the American farm acreage in the Conservation Reserve Program (CRP), 31 million acres; with the possibility of reaching the 45 million acre level, the need for large acreage set-asides will be negated.

There is no doubt that the American consumer is going to be much more interested in how the food that they consume was grown and why the various methods were used. The cost of the product will not be the primary interest to the consumer. The American taxpayer is also going to demand, in return for the money the federal government spends, that natural resources, like soil and water, be protected. These concerns are going to have to be resolved in the 1990 farm bill or the rules which govern how farmers operate will be written by other committees.

The opportunity for the American farmer to start on the path of Low Input Sustainable Agriculture (LISA) will have to be in the 1990 farm bill. This will mean giving the farmer the flexibility to use all his resources to grow his share of the national goal. The income of his operation will always be the most important factor to the farmer; being able to mostly achieve it at the marketplace has a very high priority.

Costs of controls that the taxpayer and the consumer feel are needed will be dictated by food safety and environmental concerns. The increased cost of the commodity to keep the product in line with food safety and environmental policy of the nation will be supported by the producers because the farmers know they must satisfy the customer. These standards must not be undercut by imported food, and foreign producers must adhere to the same standards as domestic producers.

The 1989 policy statement of National Farmers Union, adopted by delegates in convention at Little Rock, Arkansas, in March of 1989 stated the direction that they wanted the 1990 farm bill to take. These provisions are:

"1. We support a long-term, predictable federal farm program.

"2. To achieve a parity of income with our urban and suburban neighbors, we support cost of production plus a reasonable profit as the primary income goal for farmers. Program benefits should be targeted to family farms.

"3. Marketing quotas and marketing certificates (supply management based on bushels and poundage instead of acreage) should be utilized in supply management programs, when adopted with producer participation.

"4. Tiered marketing quotas, set asides, and price supports together with realistic overall and perprogram limitations should be enacted and effectively enforced on all farm program provisions so program benefits are targeted to small- and medium-sized producers.

"5. The farmer-held grain reserve program should be revised and improved so that:

"a. it functions as an "ever-normal" granary.
"b. loans are at 110 percent of the base loan rate.
"c. storage is paid to farmers at commercial rates.
"d. it includes all storable crops.
"e. immediate entry into the farmer-owned reserve should be permitted.
"f. extension of loan should be granted if market prices are below release levels at time of maturity of reserve loan.

"6. The Commodity Credit Corporation (CCC) should negotiate long-term agreements with importing nations."

We believe the best methods to achieve these goals are:

1. price and income protection, on a family farm level of production, that returns to the goal of assuring producers a reasonable livelihood from the marketplace. This can be achieved with a target that reflects the total cost of production and a loan that is capped as to the total amount that is allowed under loa

2. commodity bases according to bushels rather than acres. This concept would allow greater predictability of program costs, since payments would be based on units of production. It would also allow a farmer to use more of his land to produce the needed volume, lowering variable costs and allowing for less intensive land and water resource use. Farmers producing extra bushels could use their commodity as a form of crop insurance.

3. flexible commodity bases. Farmers must have some degree of flexibility in their planting decisions that will enable them to respond to the dictates of the local market and the needs of the environment, without jeopardizing their economic position or the government's food security objectives. This should include a multiyear set-aside to allow time to establish a cover crop.

4. producer yields based on actual history with consideration given for disaster years. This would make programs attract

better producers who would receive a higher return. It would also add to consistency between commodity programs and crop insurance.

5. to streamline government operations and to discourage jumping in and out of the commodity programs, producers who choose to leave the program should have to stay out more than one year and sacrifice some of their commodity base.

6. the targeting of scarce federal program dollars to family-sized operations. Not only would this reduce program costs, it would benefit those people most likely to spend their income in their local community.

7. paying commercial storage rates to farmers who participate in the farmer-owned reserve program. The reserve program could be used for both national and international reserves and could be linked with international agreements on world hunger. World food reserves should be the responsibilities of all developed nations, and the cost should be borne by the taxpayers instead of the farmers.

With regard to grains, we recommend returning to the idea of a normal crop acreage base, with proven yields. We also recommend setting up regional base pools, according to traditional production patterns. For example, if a region traditionally produces 60 percent of the country's corn, it would receive an allotment of 60 percent of the corn base, which would be reallocated to individual producers. Assuming the region would also have a percentage of other commodity bases such as oats, an individual producer could trade corn base for an amount of oat base within the pool by applying at his local ASCS office. This would allow producers to respond to local market signals, while still allowing supply management over the region. We believe that the pool would balance out over the region, but additional base could be brought into the pool by using multiyear set-asides and penalizing producers who jump in and out of the program by reducing their base allotment.

Bases should be established by units of production, sufficient to meet our domestic, export, and reserve needs. We agree with Secretary Yeutter that our reserve policies should be reviewed, although we differ in approach. The farmer-owned reserve should be used to prevent shortages, not to depress prices. Unless a farmer is storing a commodity for his own use as a type of tangible crop insurance, onfarm storage gives the same service to the public as commercial storage; so, it should be paid at the same rates.

Secretary Yeutter has correctly called for finding ways to reduce program costs. Unfortunately, once he ruled out cutting EEP funding, raising loan rates, and increasing acreage set-asides, it was clear that his preferred way to balance the agricultural budget was to reduce farm income a dollar for each dollar saved. We cannot agree with that approach. Lowering loan rates alone did not improve our export situation--we still needed EEP to recover volume and bad weather to recover value. We do not believe that raising loan rates alone will cause disaster for the one-quarter of agriculture's cash receipts that come from exports. On the contrary, we believe that low prices are the problem, not the solution.

Loan rates should be raised to current market price levels or, at the very least, the Findley amendment should be repealed.

Low world prices have affected other nations as well. Subsidy wars have cost industrialized nations dearly. Heavily indebted third world nations have plowed up acres of rainforests and diverted land that should be used to grow food for domestic consumption to grow export commodities to earn foreign exchange capital. As the prices on these commodities go down, they are locked into producing more.

Another cost-saving measure for farm programs would be to target benefits to the intended beneficiaries. Farmers Union supports targeting program benefits to a level of production characteristic of mid-sized family farms--those which are too big for off-farm employment to be the primary source of income, yet are too small to have individual bargaining power in the marketplace. A family farm is one which is owned and operated by a farm family, where the family provides most of the labor needed for the farming operation, assumes the economic risk, makes most of the management decisions, and depends primarily on farming for a living.

Crop Insurance

We believe that the concept of targeting should be extended to other programs as well, such as crop insurance premium subsidies. If only a family farm sized level of production were eligible for a premium subsidy, subsidy levels could be increased--or at least made consistent across coverage levels--without additional budget exposure. Producers of larger than family farm sized operations are in a better position to negotiate coverage costs, and do not need premium subsidies to the extent that smaller operators do.

Farmers Union has been extremely supportive of crop insurance over the years. However, we cannot advocate an end to disaster programs until more coverage is available on more crops in more places. While we believe there is a role for disaster relief, we would prefer to see some type of permanent, predictable disaster provisions included in the farm bill. The challenge is to provide predictability without discouraging participation in crop insurance.

The purpose of disaster programs has been to help farmers recover lost income, so that they can continue to pay their debts. For crop insurance to ultimately replace disaster programs, there must be at least one catastrophic coverage option that performs the function of providing for lost income. In other words, crop insurance that just recoups planting costs isn't good enough in a disaster year; a producer must at least be able to recoup total costs of production, including land and family living expenses.

We would recommend establishing a permanent catastrophic loss pool within the Federal Crop Insurance Corporation, to be funded using the same mechanism as last year's disaster relief legislation and this year's House bill, H. R. 2467. Deficiency payment savings, achieved when market prices rise because of a smaller crop, should be set aside for catastrophic crop insurance payments. We would stress that these payments should only go to those producers who purchased available crop insurance. This would be a budget-neutral way of supplementing regular crop insurance that would provide an incentive to participate in crop insurance.

Farmers Union would also recommend increasing available coverage by offering higher yield options. Our policy statement calls for options of 60, 70 or 80 percent of actual production history.

Better coordination of sign-ups for crop insurance and commodity program could provide a triple benefit. It could substantially increase the risk pool for crop insurance, allowing premium rates to decrease. It could serve as an incentive to participate in the commodity programs, which would further other policy goals. Third, it could streamline program administration by allowing a farmer to certify acreage, yield and conservation compliance at one time, with one sign-up.

Conservation

The 1990 farm bill must devote considerable attention to environmental issues. Farmers Union supports the goal of reducing soil losses to tolerable levels through such tools as cross-compliance, sodbuster and swampbuster restrictions, and the opportunity for long-term land retirement in the Conservation Reserve Program (CRP).

The CRP has been successful in removing millions of acres of highly erodible land from production. Farmers Union believes that CRP eligibility should be expanded to accommodate other types of environmentally fragile land. For example, CRP could be used for land which has a soil type that is too sandy to allow any type of chemical use without groundwater leaching, and for which non-chemical alternatives aren't feasible. Since there is plenty of room left within the original 45 million acres, we do not believe that it is necessary to increase the overall or per county acreage caps at this time.

We are deeply concerned by Secretary Yeutter's statement that we should look for alternatives to the CRP because of its cost and our current tight supplies of commodities. Farmers Union believes that a lot of the land currently enrolled in the CRP probably should not have been farmed in the first place and we would be slow to endorse a plan to bring that land back into production. Tight supplies this year are the result of a drought last year, not some long-term change in American agriculture's ability to overproduce. The cost issue is invalid unless one can estimate the "value" of our soil resources. Farmers Union believes that payments made under CRP contracts have been good investments--provided that the land stays in some soil-conserving use after the contract expires.

The 1985 conservation provisions were a good first step, but the time has come to move beyond a separate title tucked in the back of a bill toward making commodity programs more compatible with our environmental goals for both soil and water.

What makes cross compliance, sodbuster and swampbuster provisions effective is the potential for loss of program benefits. If program benefits are removed regardless, through decoupling or some other similar mechanism, we are virtually guaranteed that marginal lands will be kept in production. Decoupling farm program payments from commodity production will take billions out of the farm economy by devaluating assets and forcing prices lower, and will require farmers to produce more in order to meet fixed costs. Farmers will overproduce on all their land, instead of just on some of it.

GATT / Trade

Farmers Union is deeply concerned that the United States is allowing the agricultural export "tail" to wag the domestic farm policy "dog". Exports are undeniably important to our agricultural economy, and no one can deny the effect of global supply and demand, and foreign dumping practices on the success of our farm programs. We would remind you that in 1980 and 1981--the years in which our agricultural exports peaked--exports still only accounted for about 30 percent of cash farm receipts. More than two-thirds of what kept American agriculture going came from domestic consumption. From 1950-1975, "normal" export levels resulted in anywhere from 10.5 to 16 percent of cash farm receipts. Since 1981, "normal" has meant 20-25 percent of cash farm receipts.

We also urge you to remember that exchange rates, global unemployment rates, weather, and other economic and social factors over which Congress, USDA, and our trade negotiators have no control could easily ruin the best of export strategies. Farm programs are primarily domestic policy tools, and we object to their classification as "trade-distorting subsidies."

USDA's efforts to administer the domestic farm programs established in 1985 as tools of foreign policy has caused an economic decline in rural America. At every opportunity, prices of all commodities were driven down so that the percentage destined for export could "compete". Through commodity certificates, catalog sales, manipulation of farmer-owned reserves, and maximum use of the Findley provision to lower loan rates below legislated levels, USDA sought to recapture "our" export markets. While some export volume was recovered, it was at the expense of export value and at the expense of the loss of the good will of nations that serve, not only as our major competitors, but also as our largest customers.

This export orientation also costs us in terms of farm program budgets. Secretary Yeutter suggested that taxpayers may not be willing to continue paying high levels of farm subsidies. He may be right, particularly as taxpayers realize how much of their money has gone into "recapturing" export markets. While it is true that the cost of deficiency payments has gone down (especially since the drought increased market prices), we have still spent more money on farm payments in the last eight years than in the entire history of farm programs. Increasing payments were made to help farmers pay their creditors during a time when the market value of their crops was driven down by government policies. Increasing payments were also made to multi-national grain traders, who were already posting record profits, to help them regain market share.

There were important export provisions in the Food Security Act of 1985 to take the U.S. out of the position of being the world's residual supplier and to counter the unfair trading practices of some of our competitors. But the Export Enhancement Program (EEP), which donates government stocks to American grain exporters to sell at below-market levels, has been responsible for a large majority of our wheat sales in recent years. For all of USDA's efforts to drive down prices, and all of the pain those efforts caused in our rural communities, low prices weren't enough to make our wheat competitive without these extra bonuses. The January 21,1989 issue of ProFarmer reported that Iraq, traditionally a U.S. wheat market, actually purchased wheat from the Europeans in order to become eligible for future U.S. EEP bonuses.

We believe that EEP has gotten out of hand. USDA's failure to understand the willingness of our competitors to fight for markets has led to a tremendous escalation of export subsidy costs. We are not suggesting that the program be abolished because good reasons for it still exist, but we are suggesting that in times of tight budgets, no program be exempt from whatever decreases are required.

Secretary Yeutter has suggested in the past that the cure for the problem of high program costs is international negotiation. We agree. International negotiations should begin immediately in two areas. First, we must negotiate with debtor nations in the third world to reduce their debt in exchange for economic reforms that will improve their people's standard of living. The only way to build new markets for American food and fiber products is to attack poverty on a worldwide basis.

Second, for existing markets, international negotiations should take place to achieve long-term agreements on agricultural production and prices, i.e., fair trade. Farmers Union has maintained since the beginning of the Uruguay round that the General Agreement on Tariffs and Trade (GATT) is not the appropriate forum for negotiations on something as unique as agriculture. Food and fiber should not be negotiated under the same terms as microchips and intellectual property. Everything from production methods to market elasticity to underlying social policies is different. The agreement reached in Geneva recently calls for a strengthened GATT regime. We would urge that, in the course of renegotiating the structure of the GATT, that the U.S. strive to have agriculture negotiated separately from the other titles.

Secretary Yeutter has reassured the committee that Congress was free to write a farm bill, although it would be superseded by legislation implementing GATT. He suggested that a farm bill inconsistent with the GATT agreement would be a xenophobic shot in the foot. We would never recommend that the U.S. take a position showing a fear or distrust of foreigners, but we do advocate international negotiations to arrive at fair terms of trade, rather than "free trade".

The simple fact is that there are many commodities, such as sugar and cotton, for which the U.S. is not the lowest cost producer. In a totally free market, we would eventually lose those industries. Again, agriculture is different from manufacturing. If a factory stops producing one item , it can be retooled to produce a different product. That doesn't necessarily work with farmland. Totally free trade in agricultural products will cause a greater depression in areas of rural America.

There are several other areas which ought to be addressed in the 1990 farm bill if they cannot be resolved this year. Domestic hunger, rural development, agricultural credit, research into industrial uses for agricultural commodities, extension service activities, grain quality standards, and reform of the Packers and Stockyards Act are just a few. Farmers Union looks forward to working with this committee on these as well as the 1990 farm bill.

Farmers Union looks forward to working with this distinguised subcommittee and the full committee to develop long-term legislation designed to protect our vital agricultural industry.

Thank you for coming to Pueblo. I will be happy to answer any questions you might have. Are there any questions?

(Attachment follows:)

ROCKY MOUNTAIN FARMERS UNION 1989 POLICY

Adopted by the delegates meeting in Convention
November 1988

D. Farm Program Recommendations

1. Parity

Parity (farm price index) measures the percentage change in prices received by farmers for the products they sell in relation to the prices paid by farmers for goods and services used in production, interest on capital, taxes and wages, compared with the base period of 1910-1914. A ratio of 100 percent implies the same relationship that existed in the base period. A 75 percent parity ratio indicates that the farmers' purchasing power was down to 3/4 of what it would buy in the base period. Congress deemed the 1910-1914 base period as one in which there was a balanced relationship between farm and nonfarm prices. Current parity values are based on 1967 adjustments.

We reaffirm our basic commitment to the parity formula (using the base year 1910-1914) established by law as the standard by which to determine prices for all agricultural commodities. Price supports for agricultural commodities should be linked to the parity index so that the levels of support of farm prices will be adjusted regularly in order to reflect changes in costs to farmers of producing farm commodities and for family living.

2. Parity Farm Plan

RMFU's Parity Farm Plan is designed to assure farmers parity on limited production so the economics of an open market will control the level of production. This will be achieved by a deficiency payment of the difference between (A) average market price and (B) parity on limited units of production. A farmer's production above that amount will go on the open market or into the farmer's own bin for future reserve.

This plan will be flexible and will adapt to any commodity. It will limit the government financial exposure. The government would not need to be in the surplus storage business yet assure adequate reserves in farmer's own bins. It would eliminate the need for any disaster programs, while assuring all farmers the opportunity to make a living on the farm.

By all production going into the open market, it would assure the lowest possible food costs to consumers at all times and make our exports competitive in the world market. It would stop the plowing of marginal lands for farming.

4. Federal Crop Insurance

We encourage the continuation of guarantees being based on past production history with increases of insurable yield levels up to 100 percent of certifiable yield levels on all insurable crops. Premiums should reflect increased guarantees and be based on risk history in districts where loss payments exceed premiums. We support the continuation of unit designations now in effect.

We feel federal crop insurance provisions should coincide with existing farm program regulations and sign up dates.

5. Disaster Payments

We demand a change in the method of evaluating natural disasters. Evaluation must be made on an individual loss basis, not on the basis of a county-wide disaster.

We urge disaster reporting requirements be relaxed to allow consideration for delays in determining the extent of damage.

We urge county emergency boards to be more responsive in identifying damage areas and to be more alert in reporting damages.

I. Grain Storage

The Farm Facility Loan program should be reinstated. Loans should: (1) cover full costs of all component parts needed to complete storage, drying, and handling facilities, (2) bear low interest, and (3) be repaid over a period of seven full-crop years.

O. Trade Policy

1. Foreign Policy

There must be an end to political embargoes, and we must stop the intentional contamination of high quality grain and all agricultural and food products with foreign matter as a first step to reestablishing the United States as a reliable, quality supplier.

We recommend that the administration be restricted from using export controls through emergency export proclamations, unless producers are receiving at least 110 percent of parity.

We strongly request the USDA expand financial and human resources to the Foreign Agricultural Service and any other federal agency which promotes and expands foreign markets for all domestically-produced farm and ranch commodities.

We further urge the continuation of Public Law 480 and other credit or cash export sales programs.

We feel that the State Department or other federal agencies should not be permitted to barter agricultural products to foreign nations without a guarantee of 110 percent of parity. Whenever agricultural commodities are being negotiated internationally, negotiators from the Department of Agriculture and producers must be present and should be of equal rank with other department negotiators, such as the State Department.

U.S. resources should not be used to encourage increased export or import competition with the expressed purpose of maintaining and increasing profit to U.S. banks that have loaned money to these countries.

a. Exports

Any agreements made by anyone (public or private) regarding exports must be published and information released regarding said contract within 24 hours or one business day.

We support limitations on export of war material to foreign countries who are in need of food. Food sales to foreign countries would return the same rate of profits to farmers as arms sales return to arms producers.

We object to the penalty imposed on United State's agriculture exports under blended credit as now being shipped under the Cargo Preference Act.

b. Imports

We feel that all imports of live cattle and semiprocessed meat products should be applied against the exporting country's quota.

All agricultural imports must meet the same standards that apply to U.S. production.

We should require foreign countries to increase their commodity imports in direct relationship to what we import from them.

2. Long-Term Trade Agreements

Long-term trade agreements should have the ability to improve and stabilize domestic farm commodity prices and confirm the United States as a reliable supplier of commodities. Minimum floors for commodities should have contract sanctity. Amounts over minimum may be purchased without prior consultation.

Domestic U.S. farm policies should not be allowed to set world market prices artifically below parity. We should enter into multilateral negotiations with all major exporters and importers of our major export products on issues of price, quality, market shares, and carryover stocks. Under the General Agreement on Tariffs and Trade (GATT) negotiations, we oppose the dismanteling of national farm programs. We urge greater cooperation among the member countries to stabilize world agriculture. Care must be taken by the GATT members in setting agricultural policy so as not to harm agriculture in third world countries.

3. Export Trade Subsidies

We support a system of subsidizing U.S. agricultural exports by the federal government in order not to lose the U.S. share of traditional markets.

N. Rural Revitalization

We urge the President and Congress, recognizing the need for rural revitalization, to appropriate sufficient funds for rural development programs.

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON AGRICULTURE
SUBCOMMITTEE ON WHEAT, SOYBEANS, AND FEED GRAINS

FOOD SECURITY ACT OF 1990

Oral and Written Testimony
by
Marsha Jones, National Wheat Chairperson
Women Involved in Farm Economics
(WIFE)

Thank you Mr. Chairman and Committee Members.

I am Marsha Jones, National Wheat Chairperson for WIFE, (Women Involved in Farm Economics). My husband and I own and operate a farm and ranch in northeastern Colorado. We produce mainly wheat, and have a cow-calf operation. In recent years we have done some experimenting with organic specialty crops. I am involved with all aspects of the operation, from financial planning to operating equipment. When asked what I do on the farm it is easier say that I don't bale, and I don't fix fence. Anything else I have probably done. I share the responsibility of making business decisions with my husband.

WIFE is a grassroots organization striving to achieve prosperity for agriculture and the nation through education, communication, legislation and cooperation. WIFE has state associations in 20 states, with members at large in nearly every state. WIFE is structured so that there are local chapters, state associations and the national association. We have a very good working network between the three levels of membership.

I am pleased to have the opportunity to address the Committee today on behalf of our WIFE members. I thank you for traveling to Colorado to hear the testimony of producers. It is not always an easy task for producers from Colorado to make the trip to our nations capitol.

I have a simple request of the committee. I do not believe that it will take a passage of a law to grant my request, just a changing of habits. I read in press releases, and hear on the news, subjects concerning the Food Security Act of 1990 referred to as "The Farm Bill". You and I know very well the link between food and farm. We know that "The Farm Bill"is written to secure food for this nation, with a bountiful supply at a reasonable cost. I firmly believe that the majority of the population of this nation does not understand the link between food and farm, that farmers are not the chosen people of the government to keep in business just because we are few and are a part of the heritage of this nation. Agriculture is so important to this nation that the government has seen fit to have a Committee on Agriculture within the U.S. House of Representatives. We are the industry you have chosen to use as a vehicle to secure food for this nation. If the Committee, and their staff, would wipe the words "Farm Bill" from their vocabulary and always refer to this act as the Food Security Act of 1990 or the 1990 Food Security Act, or the FSA, anything but "The Farm Bill", maybe, just maybe, the general populations would begin to understand the link between farm and food, if not, they do understand food, and would know that this is a food bill, not just a farmers bill.

WIFE endorses the spirit of the current Food Security Act in its objective of maintaining an economical and abundant food supply for the American people while providing an adequate income for the producer. We have seen a great reduction in our wheat inventory the past year, and a increase in our price. However along with the increase of our price for wheat, came an increase in production costs. My operating loan interest rate has risen from 10% to 12% from 1985 to 1989. I believe the debt load the american farmer is carrying has decreased, but his repair and maintenance expense has increased. Their comes a point when it is no longer feasible to repair and you must purchase. I believe that the time is coming or is here, that the debt load again will increase. There doesn't seem to be a correlation between the price we receive, cost of production, and the price we pay for a loaf of bread in the store. It seems that the american farmer is always trying to catch up. When the price of wheat is down, production costs are high, when the price of wheat is up, production costs are even higher.

WIFE supports a continued program to insure producer stability while developing favorable marketing conditions. With the implementation of the Food Security Act of 1985, came a percentage decrease of the target and loan price yearly. Loan price dropping drastically the first year. That took a lot of stability from the producers. It was decreased roughly by one dollar per bushel. A producer taking a loan on his wheat that first year, counted on only 2/3 of the normal loan he could have received the year before. We rationalized this by saying that the target price, which has historically been the cap for the price of wheat, was not going to decrease that much, and that it was the stability for a price to cover the cost of production. In the following years the target price has been decreasing yearly, but not the cost of production. If we continue with this same Act, and just do some fine tuning to the program, the target price must not continue to decrease. We need to insure income stability to the producer. The target price must increase with the cost of production.

WIFE supports maintaining the Export Enhancement Program. We feel this has been a contributing factor to the reduction of our inventory. Along with the drought conditions of the past year the inventory is not a contributing factor to depressing wheat prices. Inventories are down to a manageable level, but will they stay. With less and less set aside more and more wheat can be produced increasing the wheat inventory and allowing the price to be depressed once again.

So many factors have to be considered for a producer to be able to make a profit. The currency rate, which we have no control over as a producer has a direct bearing on our ability to export wheat. If we cannot export the inventory becomes unmanageable once again.

The ability to transport our wheat is also a major factor. Availability of rail cars have been a problem in the past. Several years ago during harvest our local elevator could not get rail cars in to move the wheat out of his elevator, so consequently he had no available storage for wheat being harvested. People who did not have storage on the farm had to shut their combines off until the elevator could take their wheat. When combines are stopped and wheat is ready, you are fooling with mother nature. The rains came, and the quality of wheat deteriorated. Our buyers want quality wheat, and we must do everything in our power to delivery it. This year rail cars were not a major problem, but my local elevator tells me it's only because the wheat crop was poor in the southern states, and they didn't have the need this year for a large quantity of cars. What will happen next year? Will we be forced to fool with mother nature again.

To be competitive in the world market, we must be able to have our grain shipped at a reasonable cost. WIFE is concerned about any additional Cargo Preference Laws. We urge monitoring to insure that our customers receive the best possible quality of grain. WIFE supports a more accurate system of grading. We need to insure quality beyond the farm gate.

WIFE believes we need to continue to fund research. Being a Colorado wheat producers, and feeling the devastation and helplessness two years ago when we were invaded by the Russian wheat aphid, demonstrated how important research funding is. We need research funding for marketing, alternative crops, and economic development in rural areas. What we don't need is research in how to produce more. I think we have proven that we have the ability to produce when the need arises.

A consistent and constant NCA (normal crop acres) is necessary to implement an efficient, fair, and realistic set-aside program. Each farmer should be able to divide his NCA into base acreage that best suits his land and farming practice. Permanent grass and trees may qualify as set-aside and should not result in loss of normal crop acres. Grass acres shall not be grazed, hayed or harvested. In order to diversify, a farmer should be able to raise non-program crops without losing NCA. As a producer trying to get into the alternative crop business, I'm sure, in the future, we will be faced with the decision of do we grow more of the alternative crop, and have our wheat base decreased or do we continue to grow wheat on the acres, to insure the value of our land does not decrease, because of the loss of wheat base acres.

Many new terms are being used in developing the Food Security Act of 1990 which may have a wide variety of meanings; Therefore, WIFE supports a concept of the historical relationship between farm income support programs and agricultural production.

WIFE will continue its pursuit of equity, including legislation, related to "person status" for eligibility for farm women for farm program payments. In an ASCS regulation Sec 7 C.F.R. 795.11 it states "a husband and wife will be considered one person". This unfair regulation should be changed through the Food Security Act of 1990, or separate legislation. The present statute seriously puts farm wives at a disadvantage and discourages women from becoming involved in farm enterprises. We wonder why we are denied a person status when we are contributing as much to the farm operation as any other individual in a corporation or partnership. Farm wives are required to sign all operating loans and are just as responsible for those debts as our husbands. When I go into the ASCS office to sign our farm into a program I must have power of attorney from my husband to do so. But if he happens to be the one signing our farms into the program he doesn't have to have my power of attorney to do so. If we are considered one, my signature should be as good as his. Only a few years ago both signatures were needed in our ASCS office to take a loan on our wheat. We are not asking that every farm woman have a person status.

We are asking that if a woman meets the qualifications for a person status, she be given that status. We ask your support and help in correcting this discrimination.

WIFE supports the creation of a long term U.S. agricultural policy which is based on careful management of supplies, including adequate reserve to meet domestic and export needs, as well as supply management which will prevent the build up of inventory depressing wheat prices in times of abundance.

On behalf of WIFE, and it's wheat producing members, I want to thank you for giving us the opportunity to voice our concerns, and ideas with you. WIFE members are living in rural America, and on the farm. We see the problems and experience them day to day. We see that what happens in our nation's capitol affects our day to day existence. We appreciate you travel to Colorado to listen to us today.

U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON AGRICULTURE

Subcommittee on Wheat, Soybeans, and Feed Grains

Testimony by

Dean R. Kittel

Colorado Farm Bureau

My name is Dean R. Kittel, Executive Vice President of the Colorado Farm Bureau. It is a pleasure to welcome you to the Colorado State Fair and to have the opportunity of sharing our thoughts with you. We express these ideas on behalf of the 16,400 family members of the Colorado Farm Bureau.

Last week at this fair it was Colorado Farm Bureau's privilege to be a part of an annual ceremony to present plaques to representatives of 26 families whose farm and ranches have remained in the same family for at least 100 years. In talking to these people, the thing that impresses one is the diversity and ingenuity that are a part of these operations with a record of survival in a changing agricultural scene. Today's producers are those who survived by effectively using capital, management and labor, combined with modern tools for purchasing and marketing.

What would these modern day producers like to see in the 1990 farm bill? I'll try and list what I perceive to be the basic ingredients from an analysis of their 1989 policy statements.

All commodities are interrelated and changes in the supply, demand or price of one affects the other. Program policies should not be developed at the expense of non-program crops.

We have a lot of members who depend in whole or large part on hay, potatoes, dry edible beans, malting barley and fruits and vegetables as the source of their income.

They are, therefore, opposed to programs like the whole herd dairy buyout that interfere with the supply and price of beef. For the same reason they oppose haying and grazing on CRP acres. They feel no haying or grazing should be allowed on set-aside or rotated acres during the principal months of the growing season except in areas of a declared disaster.

Producers hope that federal farm programs will continue the present trend of clarifying rather than confusing market signals. In today's world markets, we cannot help our industry with programs that price us out of that market and thus lead to burdensome carryover stocks.

While we are intrigued with the idea of decoupling, we would oppose it if it incorporated provisions that allow producers to raise non-program crops without losing benefits. While such programs are touted as increasing producer flexibility, they will surely have the end result of financially destroying non-program producers and that still is about 60% of U. S. agriculture.

Congressman Stenholm is to be congratulated for exploring new ideas that might reduce the budgetary impact of these programs but, we deeply fear the triple base program would do as much economic damage as suggested decoupling programs which would drive producers into non-program crops.

In our opinion, the 1990 Farm Bill can serve agriculture best if fine tuned to reduce costs, eliminate burdensome regulations and avoid transferring burdens to non-program crops.

Thanks for coming to Colorado and for the opportunity to make a statement about the 1990 Farm Program legislation.

(Attachment follows:)

1990 Farm Program Concerns
Colorado Farm Bureau
Dean R. Kittel
August 28, 1989

1. **Flexibility**

   The degree of flexibility may be to the advantage of those in farm programs and to the disadvantage of producers of non-program crops.

2. **Loan Rates and Target Prices**

   Loan rates can, if set at market clearing levels, provide competitiveness in world markets and help control surpluses. Target prices can also be a tool to control production and stabilize income, but both loan and target rates should be market oriented.

3. **Decoupling**

   Disassociating farm program payments from production may help those in farm programs, but unless accompanied by strict regulations could destroy those producers of non-program crops.

4. **Tillable Acreage Base**

   This program is similar to the normal crop acreage (NCA) concept used as a basis for program participation in the 1982 through 1985 crops of wheat and feed grains. The Tillable Acreage Base concept would require producers to set aside a certain amount of tillable acres and any crop could be planted on the remaining acres. This concept trends to more government, could be costly and is unfair to producers of non-program crops.

5. **Conservation Program (CRP)**

   One of the concerns is what will happen when the ten year contract runs out. Other concerns are cost of the CRP, entry of new farmers, the extension of current contracts, limiting the acres in CRP, weed and insect control and water quality.

6. **Research Issues**

Additional research funds are needed, or the redirection of current funds, for a major research effort. This effort could be carried out by the existing land grant institutions and the experiment stations addressing the issues of keeping farmers competitive, addressing food safety and environmental issues and to ensure that the U.S. farm productivity continues to increase through new technological developments.

7. **Food Safety**

The federal government could be of assistance in assuring the public that the food industry is providing a safe, dependable supply of high quality food and natural fiber at reasonable prices. Public information programs to help educate the public about food safety through research extension activities.

8. **Trade Issues**

The 1990 Farm Bill should be designed to stimulate increased trade by keeping loan rates at market levels, enhancement programs, elimination of artificial trade barriers, avoid embargoes and encouraging quality.

9. **Grain Reserves**

The amount of grain held in reserves will vary from year to year based on market conditions. The carryover should be small enough to allow action in the market place.

Jeanne Davies, Master
Colorado State Grange

Mr. Chairman and members of the House Committee on Agriculture.

I am Jeanne Davies, Master of the Colorado State Grange. The Grange is a general farm organization and the Colorado State Grange was established here in 1874, two years before Colorado became a state. We have been involved in agriculture policy and rural America for over 115 years.

We appreciate the time and effort this committee has taken to come to this part of the country to hold a hearing on agriculture issues in preparation for a new farm bill.

The policies of the Grange are debated and set at the National convention, where delegates from across the nation discuss issues brought to them from local Granges in the commodity growing areas of the country. The Grange supported the Food Security Act of 1985 because we felt parts of that Act would help to meet short term objectives of the agriculture sector across the nation. There were several parts of that Act that would also clear the way for changes in the international trading of agriculture commodities.

The Granges' short term objectives for the Food Act of 1985 were to stabilize the farm economy, to increase U.S. agriculture exports and to prevent the accumulation of large surplus stockpiles while reducing the reserve stocks being held by the Commodity Credit Corporation. Improvements have been made in these areas through the 1985 Farm Bill.

A new Farm Bill must build on the positive advancements made possible for agriculture in the 1985 Food Act. A new Farm Bill must strengthen the agriculture network in this nation by generating a positive working atmosphere for the commodity producer, for agribusinesses that support production agriculture (inputs, transportation, etc.) and for the consumer who wants good and plentiful food at a reasonable cost. These segments can co-exist in a mutual beneficial environment.

The Grange supports an alternative for future commodity programs. The marketing loan is a new concept for the commodity loan program by which farmers who place their crops under loan with Commodity Credit Corporation would repay their loan at the original loan level, or at a level that has been determined by a set formula of domestic or world market prices, which ever is lower. The market loan is a recourse loan that must be paid back. We feel some of the benefits of the marketing loan program are:

- U.S. commodities would be competitive on the world market.
- The repayment formula would maintain an adequate income support for producers.
- It will reduce the need for the cumbersome supply management programs. But when such a program is necessary, it removes the incentive for our competitors to expand their production because the U.S. will remain price competitive.
- The marketing loan will avoid the government's costly program of storing surplus commodities, which can ultimately reduce prices.

A marketing loan program for wheat, feed grains and soybeans could be more effective than the modified version of the marketing loan now in effect for cotton, rice and honey. The program would allow our prices to fluctuate to world price levels. It would force both customers and competitors to buy and sell subject to the market.

Another important part of this program is the targeting feature which limits the amount of any crop that any one farmer can place under the marketing loan program. This would help control costs of the marketing loan program as well as give the medium-sized, full time farmer an economical incentive to remain on his land. The Grange has supported the targeting of farm program benefits to small and medium-sized family farms for over 10 years.

The current structures of commodity support programs provide support to every unit of production even when that unit goes beyond the point of fulfilling domestic consumption and world demand.

We have required all farmers to participate in mandatory acreage set-aside programs and in some cases have encouraged a farmer not to produce any units of a commodity for which his farm is adapted.

The Grange believes that the medium-sized family farmers should receive targeted benefits from government programs. There are many farm families that would prefer to make their income on their farm producing ag commodities for a needed market rather than having to depend on off farm income.

The Grange feels that major changes in the Food Security Act of 1985 do not have nation-wide support. We would like to see the marketing loan program extended to include wheat, feed grains, and soybeans. We would also like to see targeting as a feature of a new farm bill. We feel these additions would enhance the farm bill for more sectors of agriculture and for the consumers.

Testimony of
Sam Barker
Trinidad, Colorado

before the
House Agriculture Committee
Subcommittee on Wheat, Soybeans and Feed Grains
Regarding the
1990 Farm Bill

Pueblo, Colorado
August 28, 1989

Mr. Chairman and members of the Committee, I am Sam Barker, a rancher and stockman from Trinidad, Colorado. My enterprises include alfalfa production, a cow-calf and yearling operation, and livestock order buying.

I am a director of the Wichita District Farm Credit Council, a trade association representing the member-owned associations and banks of the Farm Credit System in the Wichita District. The district consists of Colorado, Kansas, New Mexico and Oklahoma. We represent the Federal Land Bank Associations and Production Credit Associations which provide service to farmers and ranchers, and the Farm Credit Bank of Wichita, the financial intermediary which serves these associations. We also represent the Wichita Region of CoBank - National Bank for Cooperatives, which has headquarters in Denver and lending offices in Wichita and other locations around the country.

I appreciate this opportunity to present this statement about important agricultural issues. I particularly want to welcome you to Colorado and to express appreciation to Congressman Ben Nighthorse Campbell, who represents our state on the House Agriculture Committee.

PROFITABILITY IN AGRICULTURE

The 1990 farm bill will be very important for the future of farm commodity programs and the agricultural economy. We will defer to our friends in the farm and commodity organizations in regard to their specific recommendations for the future of these programs. However, we want to express our strong support in general for agricultural programs which encourage long-term profitability.

Attached is a resolution of the Farm Credit Council which expresses our view of the importance of a profitable farm economy.

In addition to effective commodity programs, we believe the 1990 farm bill should contain a title on rural economic development.

RURAL DEVELOPMENT

We agree with you that the future of rural people and rural businesses is important and worthy of concern. Not only do we need increased profitability in agriculture itself, we need a comprehensive approach to dealing with the challenges facing people in rural states - in the farm, in the town, and in the city; all the way to main street.

We believe the member-owned lenders of the Farm Credit System can play a part in this effort. We stand ready to assist you in addressing the challenges facing rural America.

There is no magic wand to solve the problems facing rural areas. A combination of factors will need to be brought to bear. Similarly, the Farm Credit System must be realistic about the type of lending ventures which we could support. We would not support mandatory requirements for the Farm Credit System to lend to high-risk ventures, for example. However, we do want to be a part of the solution.

As a result, while we do not advocate making radical changes in defining who could be eligible for Farm Credit System financing, we support increased lending authority on selected and specific points. We have identified specific provisions of current law which limit financing we could otherwise provide for rural businesses. These can and should be changed. Such changes would expand System lending authorities that are related to our current financing.

Everyone talks about rural development. Everyone is in favor of it. But what exactly does it mean? And what exactly can be done legislatively to encourage it?

We believe rural development means providing jobs, encouraging economic growth and improving the quality of life for families in rural America. We have a list of specific suggestions which we believe can help.

Specifically, we have identified the following provisions of current law which limit our service to rural America:

1. The requirement that a business be "directly related to the (farm borrower's) on-farm operation needs."

2. The "20 percent through-put requirement for processing and marketing loans."

3. The population limit and purpose restriction on rural housing.

4. The "refinancing FmHA note" requirement for community facility/water and sewer loans.

Removing these limits would allow the Farm Credit System to provide expanded financing in ways related to our current business. Attached to my statement is more detail regarding these limits.

For example, under current law Federal Land Bank Associations can provide financing for rural residences of borrowers in communities up to 2500 people. As you know, many towns larger than 2500 are considered rural in a state like Colorado. Given the changing demographics of our times, we believe this limit should be dramatically increased.

As another example, the Banks for Cooperatives have done an outstanding job in providing financing to agricultural and rural utility cooperatives in Colorado and across the nation. In many communities, the co-op is the largest business in town.

Improving the rural infrastructure is one key to future development. For example, a modern water system may be very important to a company seeking to locate a new plant. That water system will also benefit employees and families who live in the area.

The Banks for Cooperatives have proven expertise in such financing. As of May, 1989, the Banks for Cooperatives were providing $86 million in financing to 60 rural water utilities. The need for lending for rural water and waste treatment facilities will grow as communities struggle to meet demands made by changing populations, outdated equipment and environmental concerns. Electric cooperatives have expressed an interest in working with water utilities as part of the growing movement toward rural economic development.

Modern communications are another factor important to growing businesses. Again, the CoBank - National Bank for Cooperatives has expertise. As of May 26, 1989, CoBank had $80 million available to rural cellular telephone businesses.

Attached to my statement is a news article and editorial regarding Congressman Dan Glickman's support of expanded authorities.

KEY ISSUES IN 1989

Mr. Chairman, I would also like to comment on two issues that might not be called rural development, but they affect our business and they are very current.

1. The Bumpers-Pryor-Kassebaum-Mc Connell provision should be retained. As you know, this provision would ease the burden of the capital assessment required to capitalize the Financial Assistance Corporation, called "FAC." In 1988, our PCAs and CoBank paid more than $30 million in this assessment. The Bumpers-Pryor provision requires the assessment be paid only in proportion to bonds issued by FAC, rather than requiring the entire assessment be paid up front.

   This is a reasonable approach, but OMB wants to repeal it. We urge you to support Bumpers-Pryor or the alternative referred to as the "Mc Connell compromise" which would delay return of the

FAC assessments for 3 years and pay associations interest on these funds.

Given the current stress in the nation's agricultural sector, the government should avoid imposing additional and unnecessary costs on agriculture. The Bumpers-Pryor provision should be retained for the benefit of our PCAs and their farmer and rancher-members.

2. Farm Credit System Insurance Corporation premiums should be reduced on System loans that are guaranteed by the government. These premiums can make a big difference in such cases as CoBank's agricultural export financing. It has been estimated that CoBank will lose about $200 million in U.S. farm export financings due to the FCSIC insurance premiums applied to loans guaranteed by USDA's Commodity Credit Corporation. The margin on export loans is very thin. When the increased cost of the premium is added on, CoBank's financing becomes non-competitive. This export financing business is being lost -- not to other U.S. banks but to foreign banks.

   Since these loans are government-guaranteed, the risk is reduced and therefore the premium can be reduced also. The same is true for those System loans guaranteed by government agencies such as the Farmers Home Administration and Rural Electrification Administration. A change in law is needed so that the premium level can be flexible enough to adjust to market reality.

In closing, I want to again commend you for conducting this meeting. We would like the opportunity to make our financing available to serve rural America in even more beneficial ways. Thank you for this opportunity to comment.

(Attachments follow:)

ISSUE 11

LONG-TERM PROFITABILITY IN AGRICULTURE

The American farmer continually faces serious challenges to a successful farming operation. The weather, international markets, land values, interest rates and a whole host of other factors impact the chance for success. Recent years have seen low commodity prices, natural disasters, high real interest rates, and sharply declining asset values, all combining to leave American agriculture in a fragile state. Many farm borrowers continue to encounter severe debt repayment problems, leaving many farm lenders experiencing extreme financial stress.

For there to be a fully recovery in the agricultural sector, there must be profitability for farmers. As the representative of those farmer-owned organizations which hold a third of the nation's farm debt, it is incumbent upon The Farm Credit Council and its member organizations to aggressively communicate to the Congress and the American public the message that "profitability must be restored to the farming sector; it is vital to the economic and social health of America." (1st Adopted 1/22/85, Reaffirmed 1/21/86, Revised 1/24/89)

Current Limitations of Present Farm Credit System Authorities to Assist Rural Development Efforts

Population limit for rural home lending inconsistent with the FmHA definition of rural areas.

The current limit that a town or village cannot exceed 2500 persons is much too narrow, and inconsistent with other Federal definitions of rural areas.

Fifteen percent limitation for rural home lending restricts rural home development.

The 15 percent limitation on institutions' portfolio lending for rural homes should be increased or eliminated. This limitation represents an unnecessary constraint on the availability of credit for rural home purchasers who want dependable lenders that can provide a constant source of financing.

The 20 percent through-put requirement on basic processing and marketing loans restricts the System's ability to finance related operations essential to current borrowers.

Under present authority, a farmer who receives System financing for processing or marketing enterprises must grow at least 20 percent of the product. This is an arbitrary standard, and not realistic in view of the rapid changes taking place in processing and marketing. Many times System institutions have been put in the position of helping a farmer to get started in business, but then having to end a positive lending relationship because of this arbitrary standard.

In several areas of the country there are examples of processing operations which may not get credit because the operations are not supported, in part, by growing/harvesting activities. In the State of Maine, for example, there are a number of wood processing and manufacturing facilities which cannot be financed because they do not meet the harvesting or growing requirement. Nonetheless, these are businesses which could benefit from the financing alternatives which competition among lenders brings, and that is of critical importance to the success of current Farm Credit System borrowers in their own operations.

Eliminate reference to "on-farm" for related businesses.

System institutions are authorized to lend to agriculture-related businesses, but only to the extent that the business is conducted "on-farm." This limits financing for many agricultural service operations. For example, a Farm Credit association is currently evaluating a forestry equipment sales/service company which has requested a line of credit. The service segment of the business is eligible under the farm-related business guidelines, but this accounts for only a small percentage of the company's total sales. For the borrower, his/her financing alternatives are limited because of the inability of the System to fully compete because of the current limitation.

Authorize System institutions to do rural community infrastructure lending.

Many rural communities have credit needs that can no longer be met under Federal programs, but are also not large enough to attract the interest of investment bankers. If authorized to do so, System institutions could assist in financing rural community development projects including wastewater treatment facilities, water treatment systems, community health centers, community fire departments, etc., and with the addition of Federal guarantees, other communities could be helped.

WICHITA DISTRICT FARM CREDIT COUNCIL

from the WICHITA EAGLE-BEACON - FYI

1/13/88

Glickman pushes FCS changes

Rep. Dan Glickman said Thursday that he wanted rural development to get serious attention in the 1990 farm bill through revision of the Farm Credit System's operations.

"We need to give the Farm Credit System significant additional lending authority for rural development projects," the Wichita Democrat told an audience of more than 200 at the Kansas Agribusiness Expo in Wichita.

The system, which is borrower-owned and federally regulated, is restricted to lending to farmers, ranchers and cooperative agribusinesses.

Glickman said the recently developed secondary mortgage market for farm loans would diminish FCS activity, opening the door for its involvement in new areas. He said the system possibly could be authorized to make loans for rural satellite television systems, small hospitals, water and sewer systems and other projects.

Innovate to save small towns

IT'S becoming clear that the agricultural economy and the rural economy are not the same animal.

For years it was thought that pouring money into farming would help preserve small-town America. But despite the billions of dollars the federal government has spent over the past decade on farm programs, the Main Streets in Kansas and other farm states continue to decline. Across the farm belt, businesses are closing up, young people are leaving and there are fears that a way of life is rapidly disappearing.

Fortunately, Rep. Dan Glickman, D-Kan., recognizes the situation. As part of a rural development initiative, which he would like see become part of the 1990 farm bill, Mr. Glickman wants to give the Farm Credit System significant additional lending authority.

The FCS, which recently was reorganized by Congress, has limited its lending to farmers, ranchers, fishermen and other agribusinesses. Recent changes in farm lending practices, Mr. Glickman notes, could create new roles for the FCS and offer new hope for rural areas.

The Wichita congressman says the FCS might be able to get into the business of making loans for rural community development projects, such as sewer lines, satellite television networks and other enterprises designed to make life in the countryside more attractive and economically viable.

The country needs to explore such innovative ideas as Mr. Glickman's if rural areas are to recover and continue being a vital part of the American social and economic scene. Small towns need the expertise and financial resources to make the transition from an almost total dependence on farming to a broader economic base.

As Congress and rural interests prepare to draft the 1990 farm bill, it is time for the nation to focus on the future of rural America. Although there is no simple, single solution to the troubles of small towns, too much is at stake not to devote serious thinking and imagination to the issue.

Members of the editorial page staff are Assistant Editorial Page Editor David Awbrey, Editorial Writers Denney Clements and Jennifer Comes, Editorial Cartoonist Richard Crowson, and Secretary Debbie Gentry.

STATEMENT OF COLORADO GRAIN AND FEED ASSOCIATION, DARRELL CRAIG, PRESIDENT, FOR INCLUSION IN TESTIMONY BEFORE THE HOUSE WHEAT, SOYBEANS AND FEED GRAINS SUBCOMMITTEE, August 28, 1989, at Pueblo, CO

Mr. Chairman and members of the Committee:

Thank you for this opportunity to express our concerns and views concerning the effects of the 1990 farm policy on the grain handling and marketing network for farm products in our Country and its effects upon other agri-related business in our rural areas.

The outlook of our grain industry is the dimmest since the industry's beginning. The clearing out of grain storage quantities by the USDA, which has wiped out that part of the industry's income, plus the CRP and drought which has cut drastically the amounts of grain handled in our facilities, along with the resulting decline in other allied services and products which many of our members provide and sell to the farm community. All these factors combined have put an unbearable stress on this part of the food-supply chain of our United States.

This segment of agri-business has suffered losses from these factors plus bad accounts lost when farmers have bankrupted. Our expenses of payroll, workmen's compensation, property taxes, insurance, etc. are at an all-time high while income sources have deteriorated drastically.

Our schools and communities are dwindling daily, and cut back or closure of any grain handling facilities, who are sizeable employers in rural areas will add to more population loss.

Our Association and its members have always worked to further the interests of agriculture in Colorado and the nation, and to give good service to the farm sector in the marketing, transporting and storage of grain commodities; plus the other allied services and supplies provided by our industry to the farms.

The country elevator, grain handling, storage and marketing system in our United States is important to a continuous and uninterrupted supply of wheat and other grain commodities to the consumer of this nation. We feel nervous about our food supply situation when we find in the August 10 USDA report that they estimate a wheat carry-over for 1989-90 crop of less than one-half the amount needed for domestic consumption. It would seem more prudent to keep a larger backlog of supply. We realize the consumer may balk at the cost of grain storage, but it would be much worse, perhaps unexcusable, to run short in a great nation such as ours with the facilities and capabilities in place to avert such a disaster.

We will appreciate you support to the grain handling segment of our agricultural system so we may stay in place, operating so that we in turn can continue to serve the farms and consumers of this great nation. If the 1990 farm policy can include anything to assist the Country elevators and other members of this area of farm-related business, we request your attention to this as you consider new farm policy.

Thank you for coming to Colorado. We would be happy to provide any other information which you may need. We have covered only a summary of our situation.

Testimony Of

FREDDIE HILLMAN

COLORADO AMERICAN AGRICULTURE MOVEMENT, INC. PRESIDENT

Thank you Mr. Chairman. I am Freddie Hillman, President of the Colorado Agriculture Movement. AAM is a general farm organization which represents farmers producing a wide variety of commodities in 32 states. Thank you for the opportunity to be here today to share my organization's ideas on the 1990 farm bill.

Many things have changed since hearings were held on the Food Security Act of 1985. Stocks of many commodities have been drawn down by last year's drought. Many marginal acres of land have been taken out of production through the Conservation Reserve Program; and, there are fewer farmers now than there was five years ago.

But, for all the changes over the last five years, several things remain the same. One thing that has not changed is AAM's commitment to the idea that every producer should have the chance to earn a fair living from the marketplace with agricultural prices that cover the cost of production. A second thing that continues from 1985 is the insistence by some in our government that the only valid goal for international relations is absolute free trade. Third, concern over the environmental impact of how we produce food is steady and even growing beyond soil erosion into such areas as groundwater. I would like to focus my testimony today on these three topics from AAM's perspective.

COMMODITY PRICES

To improve farmers' chances of recovering their costs of production and to lower government costs due to deficiency payments, AAM believes there must be a new approach to farm policy. Our price goal should be at least 70 percent of parity and we must also recognize the importance of controlling production of commodities to keep supply and demand in line.

These goals for price and production levels lead us to several specific recommendations in a number of commodity areas. In wheat, feed grains and soybeans, loan rates should be raised to at least 70 percent of parity, with a one percent per year increase until loans rates reach 90 percent of parity, which is where AAM has always believed loan rates should be. Also, the Findley Amendment, which gives the Secretary discretionary authority to lower loan rates, should be repealed.

In addition, soybeans should be included as a program crop. Soybean producers should have the income protection, and program administrators should have the ability to determine necessary production levels and reserve needs. Producers of crops should be able to use soybean base as a part of their rotational practices.

Traditional price ratios among grains should be restored to avoid future situations where we fall short on one crop because the commodity program, rather than the market, has made another crop more profitable.

Commodity bases should be stated in bushels and pounds rather than acres. From a planning standpoint, it is easier for producers trying to manage their input costs, and it is also easier for program administrators to plan supply needs and determine program costs. Common sense requires that producers be paid according to their ability to produce, not by some artificial formula that can be manipulated at the whim of the Office of Management and budget. We also recommend allowing producers to use the same established yield history for all USDA agencies -- including ASCS, FCIC, and FmHA.

Supply control measures should be used to keep market prices above loan rates. The method of supply control, whether production limits or marketing quotas, should be put in place after a referendum among producers.

AAM recommends discouraging the practice of jumping in and out of the program in order to build base. We would suggest requiring any producers who choose to leave a program to stay out for a second year, and then to take a "zero" in yield and base calculations for the years out once they return to the program.

We would recommend allowing producers of wheat and feed grains and soybeans to switch up to 20 percent of their commodity base, on an annual basis, among those three commodity groups in order to respond to market needs. If a producers chooses to plant a traditional rotation crop, such as alfalfa or sweet clover, in order to use common sense soil conservation practices, his or her program commodity base should be protected. Flexibility in decision-making should not be the equivalent of cutting costs by cutting producers out of the programs.

Dairy should have a national quota program also targeted at 70 percent of parity. Surplus should be redefined as stocks in excess of the government's needs for its own program commitments. Producers should not be penalized with price cuts on the basis of an arbitrary trigger that does not account for government food distribution programs and concessional sales.

We recommend that domestic sugar, peanut and tobacco programs be left in tact. We oppose efforts to alter those programs here or to trade them away overseas.

INTERNATIONAL RELATIONS

We cannot discuss farm legislation without also discussing the General Agreement on Tariffs and Trade, or GATT, which as progressed from total elimination of all programs by the year 2000 to a substantial reduction of "trade distorting" subsidies. The farm bill must be written by the elected representatives of the people, not by appointed negotiators who are nearly unaccountable to the many families and livelihoods affected by the GATT negotiations.

Secretary Yeutter has said that Congress is free to write a 1990 farm bill, but that it would have to be modified later to become compatible with the final GATT agreement. We are concerned because past farm bills have left the Secretary a great deal of discretion to implement, or not implement, programs as he saw fit. Even though the U.S. Trade Representative and the Secretary of Agriculture have sworn to uphold the law of the land, we are concerned that many important parts of a 1990 farm bill will simply be ignored if the administration cannot convince Congress to change the law to be consistent with GATT. Fair trade may be swept out the door with domestic farm programs by the free trade broom.

AAM believes that it is very important to retain programs that help the U.S. enforce fair trade terms and keep us competitive against heavily-subsidized foreign competitors. We believe there is an appropriate role for the Export Enhancement Program. However, we are concerned that world prices have already been forced too low for any substantial gains in market share to really benefit American producers. Volume without value is meaningless. We would prefer to see international negotiations, either through GATT or through another similar group, to discuss supply and demand, including reserve needs, on a global basis.

If GATT is successful, the American public will have a wider variety and larger supply of imported food products. In as much as the 1985 farm bill was a consumer-oriented "Food Security Act", and because of recent concerns among consumers regarding the safety of their food, we recommend that the 1990 farm bill include a requirement for country-of-origin labeling. It is no secret that imported foods are not inspected as often as domestic produce, nor it is a secret that U.S. chemical companies have been exporting pesticides banned in this country only to hava us import the end food product. We believe that consumers have a right to know where their food came from, particularly if they are going to have a higher volume of imported food because of GATT.

SOIL AND WATER RESOURCES

One of the lasting achievements of the Food Security Act of 1985 was the Conservation Reserve Program (CRP), which has taken about 30 million acres of marginal land out of production. In our state alone, Colorado State University statistics show that nearly five and one-half million acres were placed in the CRP program. While the program might be accused of providing benefit to farmers who failed to use good conservation practices back in the days of "fence-row to fence-row" planting, the goal of reducing soil erosion and saving precious resources for the future had to be viewed as overriding. One of the great failures of the Food Security Act of 1985 was the push toward a single commodity base, such as corn, which discouraged the use of traditional soil-restoring crop rotations, for fear of losing program base.

Commodity programs must be structured to allow producers to do what they know is right for the soil to keep it productive for future years. We would suggest establishing a set-aside rotation program, similar to the CRP. This Soil Restoration Program (SRP) would allow producers to bid in land for three years. All soil types should qualify with a cap placed on the amount allowed to be bid in by each producer. We suggest the cap should not exceed 30 percent. This program would complement the existing 10-year CRP program and could also serve as a forage reserve, since land would not have to be highly erodible to qualify. The SRP, coupled with a bushel-based supply control program, and the 20 percent base flexibility for wheat, feed grains and soybeans, would go a long way toward restoring common sense practices for soil conservation.

Since 1985 our awareness of groundwater problems has grown considerably, particularly with regard to the normal long-term use of agricultural chemicals. We urge the Committee to include research of and farmer education on, less chemically-intensive farming techniques. But recognizing that there are already areas of contamination and some land on which no chemicals could be used for fear of leaching into groundwater, we urge you to expand the types of land eligible for CRP.

CRP contracts will begin to expire within the next few years and this would be a good time to begin discussions on what to do with that land. We must try to strike a balance between the interests of taxpayers who have invested ten years of payments into rebuilding the soil, with the needs of the landowner, who is trying to make a living. We would suggest offering producers with CRP contracts a new separate contract in which their commodity program base would continue to be protected in exchange for keeping the land in grass or trees. We also believe that CRP land kept in grass should be eligible to be used as pasture for a cow/calf operation. That way the farmer could make a living off the land without having to plow it up for row crops, but the commodity base could still be there in the event the Secretary decided there was a commodity shortage. A new contract could be offered to producers in the seventh or eighth year of their CRP contract to give them time to develop a foundation herd.

I would like to ask for your help in keeping toxic waste dumps away from aquifers and productive farmland which we would define as classes I through IV. We realize this is not strictly in the jurisdiction of the Agriculture Committee, but is a very important issue in rural America. Threats to groundwater and food safety come from a variety of sources and with the vast majority of rural resident relying on groundwater as their primary source of drinking water, we must be vigilant in providing direction as to where these health hazards are located.

Thank you again for the opportunity to be here today.

FORMULATION OF THE 1990 FARM BILL

TUESDAY, AUGUST 29, 1989

House of Representatives,
Subcommittee on Wheat, Soybeans, and Feed Grains,
Committee on Agriculture,
Pendleton, OR.

The subcommittee met, pursuant to notice at 8 a.m., at the Red Lion Inn, 304 SE., Nye Ave., Pendleton, OR, Hon. Dan Glickman (chairman of the subcommittee) presiding.

Present: Representatives Jontz, Marlenee, and Smith.

Staff present: Greg Frazier.

OPENING STATEMENT OF HON. DAN GLICKMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KANSAS

Mr. Glickman. The subcommittee will come to order. Good morning, everybody. I am delighted to be here. This is the Subcommittee on Wheat, Soybeans, and Feed Grains of the House Agriculture Committee that has the privilege and opportunity to come to the Northwest to talk about issues involving the 1990 farm bill, together with any other issues that relate to American agricultural policy.

We will be joined in 1 minute by my colleague Ron Marlenee who is the ranking Republican member of this subcommittee from the State of Montana.

But I am particularly delighted to be here with my colleague Bob Smith. I say this; we sometimes, when Members of Congress get together we tell everybody how wonderful everybody is, so let's get over that. Bob Smith is a wonderful guy. [Laughter.]

He is a Republican and I am a Democrat, and sometimes that has been known to produce some friction. But in this case I want to tell you it has not. He is a splendid person as a human being. He is a devoted and dedicated member of the House Agriculture Committee.

Bob Smith is a devoted and dedicated member of the House Agriculture Committee who works very well with both Republicans and Democrats on the committee on a whole assortment of issues from grains, which are important to this district and mine as well. As most of you know, I am from the State of Kansas which has been known in the past to have a fair amount of wheat production. What a lot of people do not know is we are also the largest grain sorghum State in the country and the largest cattle feeding State in the country as well. We beat out Texas about 3 years ago.

The Ag Committee tends to be one of the less partisan committees in Congress. It is a tribute to your Congressman that he is well respected on both sides of the aisle in dealing with all sorts of issues such as the disaster bill that just passed that helped my region, last year's drought assistance bill, a whole assortment of issues involving timber, wilderness. You name it, Bob Smith is there and well respected.

I am just delighted to have this opportunity to be here in Oregon. I would say for your benefit, I have never been in this State before which I am ashamed of. However, there is always a first time. I was flying in last night from Salt Lake City, Boise, and into Pasco, the beauty, the splendid beauty at sunset of the wheat fields. I have never seen anything like it in my life. It is like someone wrapped a blanket over the Earth, with its folds and the way the shadows played, it was just absolutely splendid. So you live in a fabulous area. I wish I had the opportunity to spend more time here. Maybe the roundup, one of these days, I will come to.

I am going to introduce the mayor in a moment, but if you will notice, I am wearing the symbol of the roundup underneath my sunflower. I couldn't put it on top of my sunflower, I put it underneath. [Laughter.]

In any event, we are delighted to be here and look forward to the testimony.

At these hearings, the chairman of the full committee, Mr. de la Garza, has instructed me that they serve to provide input to us on next year's farm bill not just in the grains issues but in anything else. Livestock issues, trade issues, anything else that those of you who wish to comment on may do so. We started in Pueblo, Colorado yesterday morning; we are in Pendleton; and tomorrow we will be in the home of my colleague Mr. Marlenee in Billings, Montana, to try to deal with those issues affecting western growers, particularly as they affect oilseeds and grains, but everything else as well.

We look forward to this testimony. Now it is my privilege to yield to the host for this event, our colleague from this congressional district, Bob Smith.

OPENING STATEMENT OF HON. ROBERT F. (BOB) SMITH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

Mr. Smith. Thank you, Mr. Chairman, very much. Let me, on behalf of all of the people here in Oregon and in the Northwest welcome you and my good friend from Montana, Mr. Marlenee to the Pacific Northwest and to Oregon in particular, and in particular to Pendleton.

I was most pleased when you accepted this invitation to come to the Northwest, simply because this is the heart of the soft white wheat country, as you well know. The three of us have one thing in common. Many things in common.

Mr. Marlenee. Point of order, Mr. Chairman.

I am not sure that the people in back can hear, and I am not sure they want to hear us.

I am sorry, Mr. Smith. But I always take care of you well.

Mr. Smith. Yes, you have carried me longer than my mother. [Laughter.]

Let me begin again by saying that I want to welcome our chairman from Kansas, Mr. Glickman, and of course Ron Marlenee from Montana.

We have many things in common. One of them is that our districts contribute largely to the production of wheat in the United States, and I have been privileged to work with both these gentlemen who have been in the Congress since 1977 for Mr. Glickman who was elected from Kansas. Ron, you were elected in what year?

Mr. **Marlenee**. 1976.

Mr. **Smith**. 1976. Here is the chairman and the ranking minority member of the Subcommittee on Wheat, Soybeans, and Feed Grains. And of course these are the people that make decisions about our future, about the 1990 farm bill, and made the decisions about the 1985 farm bill.

So I am most grateful to both of them for taking their time to come to Pendleton and to listen to our concerns about what should occur in the future with the 1990 farm bill and how basically we can market either domestically or internationally more wheat, which will give wheat farmers an opportunity to make a living, make a profit, and hopefully recover from those horrible days of the early 1980's.

This kind of product, as some of you may know, is a new product here, Mr. Chairman. You might take a look at it. Mr. Marlenee. It has just been offered this morning. It is made from Soft White wheat, and it is a sweet buttermilk pancake mix developed right here locally by Mack Levy and his committee. Their initial purpose is to sell their initial production, they told me, but I suspect there will be demands for more of it. So we are going to take that back and I will fix you guys breakfast one of these days.

Just very quickly. We all are very interested in not only providing a system by which we can operate in the wheat country in the next few years, but we all have been deeply involved in international trade. We know that 60 percent of the product that we produce in the Northwest is exported. So we, gentlemen, are very heavily, as your States are, dependent upon international trade.

I have just returned from Turkey and I want to share just a quick story with you. On August 12, I met on a Saturday at lunch with the people who determine the export and imports of all Turkish products in Istanbul. I asked them what we could do to sell them more wheat. They had been leaning toward the European Community. They said what we really need, we have had a drought, we have had 25 percent of our crop. What we really need is about $15 million of credit, GSM-102 credit which is a 3-year credit program before September 30. If we could do that, we could increase our purchases from you in the year 1990.

I said by how much? They said well, we could probably double the purchases. Well that is about $95 million to $200 million. That is a $100 million program any way you look at it.

I told them that I would come home and see if it is possible to put the program together. The FAS person, the Foreign Agricultural Service person stationed in Istanbul told me that he was not even going to apply for it because he would be turned down. I suggested that he go ahead and apply and let them turn me down face to face.

On Tuesday of that next week I met with Bud Anderson who is Chief of the Foreign Agricultural Service, as well as the Deputy Agricultural Secretary, Mr. Jack Parnell. We sat down and I explained this program to them. They announced the result of the whole thing, they announced yesterday, that they had extended not $15 million but $30 million of GSM-102 credit to Turkey, including $17 million of feed grain opportunity and $3 million of unidentified credit.

The Turks are neighbors and allies. They are leaning toward this country. We want to encourage them. We have done that. So we are going to sell the Turks a lot more wheat. I am proud to be able to do that and to carry that story. And I am not just alone in this effort. These two gentlemen that you see here have sold wheat all over the world.

We have a saying, Wheat is wheat, whether it is from Kansas or Oregon. This happens to be both, by the way, a happy choice, because the Turks miss their Hard Red and their White wheat in a mixture, and their basic staple is bread, like so many of those countries in that area.

But again, that is what we must do. We all are aggressive salesmen of wheat. We all are aggressive people who want to protect the agricultural industry in this country, knowing that that is the secret to our future and in our communities, and that is the secret for the future of this great country.

Mr. Chairman, I do not want to go on further except again, we are most grateful for you being here. At this point I would yield back. I am sure Mr. Marlenee, who always has something to say, will have something to say. Ron, welcome here as well. It is nice to see you.

Thank you.

Mr. GLICKMAN. Thank you. Mr. Marlenee.

OPENING STATEMENT OF HON. RON MARLENEE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MONTANA

Mr. MARLENEE. Thank you, Mr. Chairman, and thank you Bob Smith, and ladies and gentlemen, producers, and just friends an onlookers.

It is nice to be here in Oregon country and it is nice to be back out West. You kind of know you are back in home country, and I consider the Northwest home country. I am from Montana. I am a producer myself. But we rolled into the airport, taxied up to the terminal, got out of the terminal, came out, a gentleman on the airplane recognized who we were, and said how are you getting to Pendleton? We allowed as if we were not quite certain how we were getting from Pasco to Pendleton, and he said just take my Blazer. You can take my Blazer and go on down to Pendleton. Western hospitality in true form. I think he is holding up the post back there right now. Isn't that the guy that did that?

A VOICE. No.

Mr. MARLENEE. You got blamed for something you did not do. [Laughter.]

You resemble a good samaritan as all of you do in this room. I would not be afraid to ask any of you, even if I am a Congressman, to use your automobile. [Laughter]

I have been through Pendleton once before, many years ago. I was on my way elk hunting. I looked forward to coming out here. I have been after Bob Smith to get me out here in some fashion or other so the taxpayers pay for the trip, but I have been trying to get back out here and roam around Bob's home country for awhile. Bob and I are very good friends.

We are very busy people, as U.S. Congressmen. We are in Turkey, Taiwan, Washington, DC, or in hearings in Pasco or in Pendleton or in Pueblo or in Montana we will be tomorrow. The demands of our own constituents are extremely high. We represent 350,000, 400,000, 450,000 people. And let me ask you if any attorney or doctor would attempt to service that many clients? Or a businessman for that matter.

So when we commit to go out in the field, we do not do it lightly. We are not out here because we do not have something else to do. We do it for people who have a high degree of credibility. Bob Smith has a high degree of credibility, I want to tell you. Another thing about Bob is that he is a hands-on producer. There is something about that managerial and practical experience that gives one an insight into what the impacts of legislation and regulation are. There are so many, many times, probably 99.5 percent of the time, that Bob Smith and I will be voting together on an issue not because we are Republican or not because we are Democrat, but because we have that managerial experience and understand what the producer is going through. You have a great Congressman in Bob.

Dan Glickman is on the other side of the aisle. He is a Democrat, we are two Republicans, and we have to be nice to him because they're chairmen of the committees. [Laughter.]

But we have no fear or tribulation or concern about that because the Ag Committee is the one committee where we work together in a gentlemanly kind of fashion for the good of the producer. And Dan, I have to hand it to you, that we have never had a problem. There has never really been a partisan political issue that has come up that has divided us. We have always been able to work out things for the betterment of agriculture in general.

We are glad you are having these hearings out here. Again, I do not want to take any more time because we came out here to listen to these people. I have a couple of soap box speeches I will make here in 1 minute after we get rolling. I hope I can incite you to riot out here in one fashion or another. I have been known to do that. I am somewhat controversial. Bob is just shaking his head. Of course he has led me into a couple of those deals like the Columbia River Gorge. He gets me out there pushing me in front of me inasmuch as I'm senior. Ron, go do this. [Laughter.]

Bob, it is nice to be here with these people. Thank you.

Mr. **Glickman**. Before we begin the hearing I would like to recognize the mayor of this fine community, Mayor Joe McLaughlin. Do you have any comments for us?

REMARKS OF JOE McLAUGHLIN, MAYOR, PENDLETON, OR

Mr. McLaughlin. Chairman Glickman, I mentioned to you that my welcome addresses are always very short, and being an Irishman, you were very surprised, but they are. Congressman Marlenee and Good Guy Smith, I want you to know, Smith, I am a very conservative Democrat. I have supported you all the time. And I appreciate the support you do give to Pendleton and the Wheat League and everything else.

Mr. Smith. Thank you, Joe.

Mr. McLaughlin. Pendleton, of course, is noted for the original Pendleton woolen mills and the Pendleton roundup. I hope you will have the privilege of returning one of these days to visit again at that time, especially the roundup when we have a lot of Bible readings and whatnot going on. [Laughter.]

We are delighted to have you here in the wheat growing area of the United States. We appreciate it. And as we say in Pendleton, until we see you again, "Let 'er buck."

Mr. Marlenee. Mr. Mayor, I would think that Bob Smith would take a few of these Pendleton roundup things to Billings when we have our little hearing over there tomorrow to kind of distribute them around a little bit.

Mr. Smith. I would be happy to.

Mr. Marlenee. It is nice to see a lot of familiar faces out there too. I see Earl, and I have seen that lady over there a number of times. We keep running across these people in our deliberations and discussions of wheat growers nationally and statewide, and my State is doing an excellent job.

Mr. Glickman. Why don't we begin. Our first panel of witnesses is Mr. Clinton Reeder, president of the Oregon Wheat Growers League, accompanied by Mr. Jim Harris and Mr. Larry Coppock. And Mr. Earl Pryor, former chairman, Oregon Wheat Commission. We welcome you all here.

I would just want to say thanks to the Oregon Wheat Growers League, thanks to Wes who shepherded us around, picked us up in Pasco. That was very kind of you. We appreciate it very much.

Let me say for the record a couple of things. One, your entire statements, every witness here, your entire statements will appear in the record. So if you want to try to summarize if you can in order to accelerate the hearing process, and also so we can get more time for questions, that would probably be helpful. So I repeat this again. You need not read every word of your statement. The whole thing is going into the record and if you want to summarize it it would probably be helpful to us.

We need to be on a plane to Billings and leave about 12 noon if possible. We ought to be able to do it. I do not think there will be any problem there, but I wanted to let you all know it was not necessary for you to read the whole statement.

Why don't we begin with Mr. Reeder, and then after Mr. Reeder, then Mr. Pryor. The other gentlemen are basically with you, are they not, Mr. Reeder?

Mr. Reeder. Yes they are. We have a couple of specific points they will make.

Mr. Glickman. You may proceed.

STATEMENT OF CLINTON B. REEDER, PRESIDENT, OREGON WHEAT GROWERS LEAGUE

Mr. REEDER. Thank you, Mr. Glickman.

On behalf of the Oregon Wheat Growers League we would like to welcome the committee to Pendleton and the Northwest. We very much appreciate the opportunity to visit with you concerning some of our thoughts and feelings about not only the 1990 discussions but also a bit about the 1985 farm bill as we see it in relation to the 1990 bill.

My comments are in writing. I have been informed since I came in that I will never cover it all. They're right. They know me too well. So we will simply let you browse through those comments later. I would like to highlight some of the issues that we feel rather strongly about.

To begin with, the "food security" orientation of the 1990 farm bill we feel is a very appropriate orientation. We feel sometimes that the farm bill, the farm legislation, is sort of our legislation. Basically we understand that it is a national orientation that you must take in Congress and we support that. In fact probably, if anything, we would ask that somehow the 1990 debate be conducted in such a way that the general public became much more aware of how dependent they are on the U.S. agricultural industry, and the security concept is indeed what we are talking about. We are not simply out to protect farm income but to deal with the issue of food security as we relate to it. We feel that a sound agricultural program for our personal interest is indeed in the best public interest.

The primary point I think we want to make is that it is mandatory that, however the 1990 farm bill is put together, that farmers somehow recover the right to farm. We feel strongly, and we have been making this point with the State legislature, that it is crucial that Congress and the agencies, the State legislators, establish the standards by which they would like to see various things happen. We would really appreciate it if they would let us farm. Don't have technical guides that tell us what piece of machinery to use and don't require us to go to town to an office and ask permission before we change equipment after it rains one afternoon.

The intervention in our management is much too intense, much too keen, much too pervasive right now. We could do a better job, a more productive job, a more efficient job, if the Congress and the rules of the game sort of set the standards and then you let us decide how best to meet those in our particular situation. I cannot make that point strongly enough.

We are in a business that essentially generates relatively low margins on a year to year basis. Our perspective must be a long-term perspective. This constant changing of major rules and definitions causes us to restructure too often. It causes us to go to the bank and refinance too often. It causes a great instability and it causes us to look at new investment projects on too short a time-span basis. We must somehow have a program with some longer term continuity to it and we must be able to return to managing our farms with a 10-, 15-, 20-year perspective, with some security that we will not be totally disrupted every 5 years or every 1 year or every 6 months by a Government intervention of some kind.

International trade. As mentioned earlier, we are totally dependent in the United States on international trade. The Nation as a whole relies very heavily on international exports as a means of maintaining a more positive trade balance. We must stay competitive. That means that we must be able to manage efficiently and effectively on the farm. It also means that we must have the tools to remain competitive in an international market.

The EEP has been a major part of that, and while there is a great debate about the extent which it has been the cause or the major contributor to reduction of stocks, we feel that tool or a tool similar to it must be maintained so that we can at least have the threat of being able to maintain market share with such a tool and stay in the international market. Losing the international market puts us in a position of decreased effectiveness. It is very difficult to get back into a market once you have been out of it.

I have been asked to refer to the issue of flexible crop bases. It is our opinion that an increased degree of flexibility is essential if we are truly going to move back to a more market-oriented economy for agriculture. We cannot have essentially Government dictates or Government formulas prescribing the crop that we grow day by day, year by year. We must have at least some cautious return to the options of deciding farm by farm what the most profitable alternative is crop by crop. We do not favor the wholesale return to flexibility because we do not think we can predict too accurately what the response is going to be if we just throw the gates open.

It is my understanding that just this week there was at least the thought thrown out that everyone would be allowed to grow wheat, but wheat growers would not be allowed to grow corn, soybeans, and so on. That disturbs us immensely. If you are going to have free markets, then we must all be free to grow something else.

If the Government continues to intervene crop by crop, year by year, then we must have the safety net concept preserved; we must have some assurance that we will have some long term stability for our businesses.

The other area that I would like to hit before our time expires is the environmental issue. Farmers tell me one thing strongly, over and over again, that if anything causes them to not participate in future farm programs, it will be strong and pervasiveness environmental concerns mandated in the 1990 farm bill.

The cost of compliance is much higher than most people believe. I have a short ditch in a field that is less than a quarter of a mile long, and in the last couple or 3 years the cost of maintaining that ditch has tripled or quadrupled. Chemical requirements change so I cannot do certain things near water. If I let grass stay in there too long it becomes a permanent waterway and then I get subjected to lots of rules and regulations.

Farmers right now are looking at environmental issues, the potential management requirements, and saying that the cost of maintaining some measures is simply too high.

I guess I have a sort of tongue in cheek suggestion I have made and it has had some interesting response. I would like to see considered a provision in the 1990 bill that would permit a farmer who has some kind of a situation like a wetland spot or a drainage problem have the right to deed that to the State or Federal Government or to an environmental group that would in turn be required to maintain that site to the same standards expected of agriculture.

If we had that option, and I said that originally tongue in cheek, but I am beginning to make that comment much more seriously, because it would be a moderating concept. No government agency, Federal, State, or county, is going to want to undertake the maintenance of an environmental site that is extremely costly with relatively little benefit, either public or private. I think some provisions that might moderate the intensity of some of these environmental requirements, should be given some serious thought.

One more comment, and I will have run my time. When you look at the nations that are involved in the GATT negotiations and the international debates right now, it is interesting to note that those we seem to be having the most problems with are also those that we provide the greatest underwriting in national defense.

It is interesting to me to speculate whether or not if they had carried for a longer period of time a greater proportion of their personal national defense costs, they would have the funds on a current basis to underwrite the agricultural subsidy programs that we have been trying to compete with.

So I guess in closing if you want to look at ways to save money with the 1990 farm bill, one of the options is not to dissect and undercut the agricultural industry, but look at other programs which essentially underwrite a competition in foreign nations and subject us to pressures that we are trying to maybe correct with the wrong thrust.

Thank you.

[The prepared statement of Mr. Reeder appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you. Excellent statement, both your oral statement and your written statement. The record should reflect that there are a multitude of suggestions in your written statement that will be helpful to us.

Mr. Reeder, why don't you introduce the two gentlemen who are with you.

Mr. REEDER. Larry Coppock is chairman of our research committee and he wants to speak to the issue in the environmental arena on crop rotation as it relates to arid lands, dryland farming operation. Jim Harris is chairman of our agricultural chemicals committee, also has been active in a State organization dealing with the protection of chemicals for use in both the timber industry and agriculture, and he will speak to a couple of issues in that area.

Mr. GLICKMAN. We welcome both of you gentlemen.

STATEMENT OF LAWRENCE A. COPPOCK, CHAIRMAN, RESEARCH COMMITTEE, OREGON WHEAT GROWERS LEAGUE

Mr. COPPOCK. I am Larry Coppock. I am with the league's research committee. I have a master's degree and a bachelor's degree in agronomy from Washington State University, and I have been on the family farm since 1961 when I graduated.

It is my opportunity this morning, Mr. Chairman and Mr. Marlenee, to try to develop an appreciation for summer fallow country.

If you will refer to chart 1 in my testimony there, you will see the precipitation that occurs here in the Pacific Northwest in dryland wheat country. You will note there is none in the summertime. Now most of the country has summer precipitation. This affects our environment quite a bit. The environment will affect what goes into a Farm Program.

You will also notice, look at the evaporation, what takes place. We must set a moisture line. We do that with tillage in June to stop the loss of moisture. We do not get enough rainfall in 1 year for our crop. Therefore we use the summer fallow, gather the second year's crop through conservation methods, and we are in a summer fallow regime.

Go to the second chart there. You will see grain yield and three different rotations used. Wheat following wheat, continuous wheat; wheat with a legume, in this case peas and wheat fallow, and you can see why this is wheat fallow country.

I hear and read that the 1990 Food Security Act will resemble the 1985 act, and I assume this is true. There are some difficulties in operating some components of the 1985 act. Now you might say, oh Larry, this morning we are together on philosophy and generalities of how to put that bill together. Not specifics. But an act is only as strong as it can be carried out. If the nut does not go on the bolt, then the pie in the sky philosophy did not serve its purpose well.

Mr. GLICKMAN. You are not implying there are any nuts in Congress, are you? [Laughter.]

Mr. COPPOCK. I was just trying to use an example. [Laughter.]

I appreciate you cracking a joke because it lets the pressure off us a little bit. I suspected this morning you said you were Democrats and Republicans, no matter where you are from, I suspect this morning we are all gathered as wheat growers. I think that is good because we can address these things. I will make some assumptions, probably, but I feel you will understand.

I will try to convince you of some things, and they will inter-tie with and impact on my farming operation and the program at all of these things.

First of all, we must revise and modify the universal soil loss equation. Let me say that I have asked some people, since I am in research, I have asked the gentleman from the Columbia Basin Ag Research Center to be here this morning. John Suzell is the hydrologist and he works with that erosion equation. He is here. So when I make some suggestions, I am not just trying to blow smoke up your leg. The researcher is here to support the request that I am making.

The original drafts are from a long-term management study, and Dr. Paul Rasmussen, who is in the audience.

We work with this universal soil loss equation. Our district conservationist from the Soil Conservation System, Bob Alloman is here. So we are here in a method of compromise, but I want to make some strong statements and try to convince you of some things.

Some conservation compliance plans require planting by September 5. This date is derived from the USLE and a ground cover requirement. Research shows that seeding before October 1 opens the crop to Russian wheat aphid, Cercosperalla rot, and Rhizoctonia root rot. I also would like to point out Dr. Richard Smiley, who is our pathologist, is here also this morning.

The USLE does not have a component for insects and diseases, yet the universal soil loss equation is the guide for writing planting dates in conservation compliance plans.

The universal soil loss equation does not recognize incorporated residue or surface roughness, both of which can reduce erosion. We are writing compulsory plans from a knowledge base that is insufficient. We are writing plans that research indicates should not be complied with in summer fallow country.

We must require the Soil Conservation Service or us together or however, to revise and modify the USLE to recognize insects, diseases, and erosion-reducing tillage when writing compulsory conservation compliance in dryland summer fallow.

I also understand in reading and listening that perhaps to participate in the 1990 act we might have to use a rotation. I have a comment in there that says I can't stand rotations. For an agronomist to make that, you would think he is out of his tree or something, so let me tell you what I mean when I make that statement.

Table 19 in your deal is again from this long-term study which is referenced in the references at the end. That is made up of alternate crops. That entire two page table. There is not one crop there that grosses more than $78 per acre. Those are the alternate crops. Those are what rotation would be made of if you were to build rotations in summer fallow country. Twenty-five bushels of wheat at $4 an acre is $100 gross per acre, and if rotations come in I am then asked to build a rotation at a lower gross than what I would get with just 25 bushels of wheat. I would be hard pressed to continue on with 25 bushels of wheat.

Now you might say Larry, you are talking about economic things. Well, I have a long-term commitment with my banker. I have to make this consideration. I have a restructured Federal land bank loan. I have a long-term commitment. These kinds of things must be taken into consideration as you write the bill.

I do not bring this out because I want special treatment for me. I feel I am representative of a group of folks.

Modification of the universal soil loss equation and not requiring practices that are not economic unless we are compensated are mandatory to writing the 1990 Food Security Act.

[The prepared statement of Mr. Coppock appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you, Larry.

Mr. Harris.

STATEMENT OF JAMES O. HARRIS ON BEHALF OF THE OREGON WHEAT GROWERS LEAGUE AND OREGON WEED BOARD

Mr. HARRIS. Thank you, Mr. Chairman. My name is Jim Harris. I farm north of Pendleton.

I would like to discuss two issues today, and I apologize for not having any written comments. The first concerns the definition of LISA. I am sure you have heard all kinds of definitions of LISA. The only thing I am going to say is that in this country, as I am sure in your districts also, farmers today are farming ground that was farmed by their fathers, their grandfathers, their great grandfathers, et cetera. They are intending to pass that land to their children and to their grandchildren. So in essence the farmer of today is into sustainable agriculture.

We are also into low inputs, and because of your farm background I know you understand farm inputs are expensive and it does not bode very well for a farmer with a long-term commitment to put in more inputs than are necessary to produce the crop.

So in writing the Food Security Act, I would hope that references to LISA are kept to a minimum.

The other thing I would like to discuss today, I am also here representing the Oregon Weed Board which is a committee that operates within the Oregon Department of Agriculture. It has come to our attention that a problem exists with the proliferation of weeds on Conservation Reserve Program lands.

This is not only noxious weeds but common weeds as well. This is leading to problems with neighbors. It is also creating a situation where we will have, if these lands ever do come back into production they are going to be extremely weedy and it is going to be extremely hard to get them back and make them productive in a short period of time.

I see the problem as being not anyone's particular fault. I think there are lots of different factors. Part of the problem is just bad husbandry by some individuals with CRP contracts. Part of the problem is inconsistent interpretation of regulations by professional staff. I was told by an SCS employee from Colorado that Colorado is enforcing the provisions in the Conservation Reserve contracts, and that they are levying fines against just common weeds. We do not see that happening in the State of Oregon.

I see part of the problem being the lack of personnel to do enforcement action inspections and so on within the counties. Also I think there is a reluctance by county ASCS committees to levy fines in an area that is somewhat gray.

So I would hope this problem could be addressed by the Congress. I see this as being potential for litigation in which the Federal Government could be named as a corespondent, so I think it is worth the attention of the Congress to look at it.

Thank you very much.

Mr. GLICKMAN. Thank you.

Mr. Pryor.

STATEMENT OF EARL PRYOR, MEMBER, OREGON WHEAT COMMISSION

Mr. PRYOR. Good morning. For the record, my name is Earl Pryor.

The testimony you have before you is basically divided into four parts. It talks about the goals of a Farm Program; some brief comments on the 1985 Food Security Act; some other problems I would like to speak to briefly; the 1990 Farm Program proposal; and how it interacts with what we have now and how it can supersede some of those areas. In the end is a summation or basically a conclusion.

First I would like to speak to what the goals of a Farm Program are. I think we are all in agreement with what those are. We want, as farmers and as bureaucrats and congressional Members, I think we all want to produce for the market and not the Government granary. We would prefer to receive our income from the marketplace. We would like to have equal income opportunity with our international brothers. We have examples of what happens in the ECC and Japan, et cetera. Saudi Arabia is a prime example of grower subsidies going on internationally. We all want wholesome, plentiful food at an attractive price.

I was on board as president of the National Association of Wheat Growers in 1984 and had an opportunity to testify before your committee and other various committees about the program. I would like to comment on some of the problems I perceive in that program.

Essentially the Food Security Act of 1985 was driven by a fire sale mentality. We had stocks that we needed to get rid of. It was also linked to a voluntary production control program. Voluntary meaning funding. We essentially bribed people to get into the program so we could control production.

It was designed to wring excess capacity and resources from the agricultural complex. I think we succeeded admirably with the benefit of 2 succeeding years of drought.

The Conservation Reserve Program which I testified in favor of before your committee has had some impacts on rural communities, particularly those that have low production and highly erodible land. It was a big mistake to allow a cap of 25 percent. It should have been lower. It has had some tremendous impacts on those specified areas. I live in one. I know. Our Main Street businesses are practically decimated. It has had a disastrous effect.

I also testified in favor of encouraging rural development and mounting an effort to assist those communities. We are now finally beginning to address this issue belatedly and I think in a very inadequate manner at this point. It is going to take some real thought and work.

The "Mississippi Christmas Tree" triggered voluminous rules out of ASCS. I think it disillusioned not only the farmers but the ASCS local staffs, too. They worked their fannies off out there trying to keep everybody abreast of what was going on. It was really a traumatic experience for all of us.

I think this points up that we need a more simplified program. I hope to present some ideas toward that end today.

Congress needs to reexamine their subsidy programs. I refer to import quota cases. I noticed in reading an editorial by Marshall Loeb who is the managing editor of Fortune magazine, reported that the automobile import quotas saved 55,000 jobs annually. It is costing $5.8 billion to do that, which comes out to $105,000 per job saved.

The carbon steel quota system which we are now readdressing, has run as a 4-year quota system, is calculated to save 9,000 jobs at an annual cost of $6.8 billion and it works out for a subsidy of $750,000 per job.

How does this square with a $50,000 limitation in the Farm Program? How many agricultural jobs are we saving and how does that figure out? What is the equity there? Have we really stopped to consider what is going on in those quota programs?

I think Congressman Smith would be extremely interested in what's happening with the beef quota system. What it is doing to our own local industry.

We have some other legislative bruises out there. Deregulation, in particular. The transportation industry has allowed the railroads to abandon rural lines almost at will, with no oversight from the ICC. I have personal experience there, too. We were able to turn that around, but I see we were just listed as a category 1 again as a first step toward abandonment again.

Deregulation also increased truck traffic on our rural roads. What we are looking at in our community is a secondary road that was built back in 1939. Deregulation will put more trucks on those roads increasing the expenditures for the secondary roads and which will also be financed through some Federal contribution.

Going further, let's look back at our tax codes which we just restructured recently. It removed the income averaging option from agriculture, which is admittedly, a very cyclical industry. It is abusive in that it is costing us more taxes, a lot of us do not have those extra funds to pay.

We also lost, compared with other industries, in terms of the investment credit phaseout.

I would like to speak to the interstate banking system. We have a bank in our community which is now an interstate bank. Less than 10 percent of their deposits are on loan in our county. We have a local bank and they are up to the limit in terms of their local loan capacity. This points out the difference in interstate and local banks. Interstate banks take those funds to the metropolitan area where they can get a higher interest rate. It is good business for them, but it is poor business for the local community.

Next I would like to address the 1990 Farm Program. We are at a moment in history where we have a unique opportunity to do some restructuring of the 1985 Farm Program. We are at a point where we have very low stocks, and we are also at a point where we have a good price structure.

I propose that you consider initiating a production marketing loan for producers of feed grains, wheat, rice, and upland cotton, and maybe even soybeans. This loan would be a 9-month recourse loan, not a nonrecourse loan. The idea being that we are going to move our stocks. We are not going to put them in Government granaries any more. We are going to put them on the international market.

The eligibility for this program would be that you would sign up for the Farm Program. Those not wishing to be in the farm program could go to the local bank and put up their grain for collateral and store it at their own will, so it does not inhibit individual activity.

The loan level would be a function of the commodities international market price, plus an allocation designed to offset producer subsidy equivalents in other nations. This relates to the fact that we would like to have a level playing field, and would like to have an income not equal but at least equivalent to that of other international producers.

Centrally planned economies and producers served by grain boards and other intervention schemes place our farmers at a distinct disadvantage.

The PML, producer marketing loan, outlays would build a safety net assurance for adequate food supplies, maintain stocks for our food aid commitments, and Public Law 480 programs, and would provide competitively priced commodities for international trade, and contribute toward a positive trade balance.

Obviously the producer marketing loan would replace the Export Enhancement Program. At the same time it would nicely accommodate the GATT objectives because you are not impacting the price of grain as it leaves our borders, which is one of the guidelines in the GATT considerations.

In speaking to the unique time, we have been as high as $26 billion in terms of Farm Program costs. In the last 3 years they will average about $12.5 billion. So we are making progress.

I would like to make some comparisons between the production marketing loan and the current program. This relates in terms of the operational impact. The current target price, deficiency payments, and nonrecourse loan would be obsolete under the production marketing loan. The income supplements to equalize PSE's between competitive trading nations is a complex subject. I do not think we can really address it here, but it can be an element of the PML.

The acreage reduction programs, ARP; paid diversion; Acreage Conservation Reserve; 0/92 and 50/92, would also be rendered obsolete by an annual bid system to retire surplus production acres. From my perspective I think what you need to address is a public bid, an annual public bid on ARP, the Acreage Reduction Program. The function of this would be to estimate and control the supply/demand in terms of marketing and domestic demand. USDA already does this through their supply/demand projections. We already have in place a facility to implement a public bid system. It would be similar to the CRP. People would present bids and it would be based, practically, on the basis of the production of the land. You essentially go back to proven yields basis.

One of the beneficial points of this is you do not build burdensome stocks. You manage them from year to year based on supply/demand projections. This proposal gives you a much closer control of the production.

There are immense savings in this approach from my perspective. Program, history will prove that it costs us almost $1 a bushel per year to store our grain in public warehouses that the Government owns by the time you get, handling, storage costs, and opportunity costs combined.

Food security reserves can be established out of our current CCC stocks. Also, it would seem to me that there is a market neutral opportunity when you roll these grains out of Government stocks, if you would buy and sell them simultaneously. It would be market neutral instead of what has happened in our catalog sales, allowing USDA to influence pricing levels.

The commodity certificates, the PIK and roll, the posted county price, the farmer-owned reserve, and reserve roll over would also be history under this proposal.

Some of the conclusions I would like to speak to is that the production marketing loan concept and the annual individual ARP bidding opportunities for retirement of commodity production acres to avoid excessive market supplies, provides program participants an opportunity to produce for the domestic and international markets at competitive price levels. It allows value added processors to be internationally price competitive. It also contributes to a positive trade balance.

There are substantial program savings inherent in this program. The administrative workloads and costs will be reduced. Producers are the benefactors of what is essentially a two-price system.

There also needs to be some attention paid to the macropolicies that impact trade competitiveness. The monetary and the fiscal measures, the trade agreements that favor nonagricultural sectors at our expense, particularly, this must be given attention now because of the current GATT Round.

Attention must be paid to the crumbling infrastructure of rural America. We must correct the contradicting energy, transportation, and tax policies that are emasculating our rural areas.

One thing I cannot emphasize too much, and that is, we are at a unique point in terms of production and marketing opportunities in this country. If we are to change our Farm Program, now is the time to do it. This is a very important period in our history.

I want to thank you for bringing your committee to Pendleton and allowing me the opportunity to testify. I am pleased to see a lot of my old friends and faces up here on the main platform. Thank you.

[The prepared statement of Mr. Pryor appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much.

Mr. PRYOR. May I make one parting comment?

Mr. GLICKMAN. Sure.

Mr. PRYOR. In November of this year, the weekend following Thanksgiving, the three States of Oregon, Washington, and Idaho will have a joint convention of wheat growers at which time we intend to address Farm Program issues that are timely, and hopefully submit some consensus statements at that point, if not before that date. You are certainly invited to participate at that time and join us as we interact in reaching more consensus in the Northwest.

Mr. GLICKMAN. When is it?

Mr. PRYOR. It begins on the Sunday following Thanksgiving in Portland, Oregon, at the Jantzen Beach Red Lion. November 26–29. We would be glad to have you there.

Mr. GLICKMAN. Let me first of all thank you all for your testimony. It was excellent. I want to ask Mr. Coppock something. Excuse me because I am not familiar with the universal soil loss equation, is this a computation or a method that the Soil Conservation Service has come up with?

Mr. COPPOCK. It is an equation that has been around for quite some time.

Mr. GLICKMAN. It has?

Mr. COPPOCK. Yes. I think it works rather well in the Midwest. But in the Midwest, remember, you have summer rainfalls. The erosiveness of those raindrops coming down dislodges soil particles and they like to wash. This has all been figured in, and I think the equation works rather well in the Midwest. Out here where we have this different rainfall pattern, as is in the one chart, we have a very gentle winter rainfall and not much happens unless we have frozen soil. The equation does not work very good. We need to modify the thing.

However, the Soil Conservation Service was given the job of writing compulsory plans. They used the best thing they had. It was the equation. It is a model. I want to call it a model. So we use it, but we need to get together, and in the 1985 act there are some key figures which come out of this equation that showed up in the writing of the bill. That is why I am saying I have to be specific even though you are writing a general bill.

Mr. GLICKMAN. I understand that, and I think it is most important that you be specific. These are the kinds of problems we can and will address, as long as we know about them in advance. If we do not give the USDA guidance, they will adopt a formula that is good for Kansas and has no relevance for Oregon.

Mr. COPPOCK. That is why I presented the climatic data and gave my comments on the model. We are having trouble with our plans that have to be written from that. I suspect that if I was an SCS technician I would use it. It is the best thing we have right now.

Mr. GLICKMAN. This is extremely relevant testimony. On similar issues, I would hope the wheat growers up here could come up with those kind of solutions to problems. Farm policy has historically in this country been skewed to the Midwest, not even so much in Kansas. The Upper Midwest, corn country, has been basically the tail that has wagged the dog on farm policy. That has to do with the way the country was settled. It is not an insidious plot or anything like that. It is just the way it has happened. So it really is important that you get to Bob Smith and others these kind of specifics, particularly on soil conservation and environmental issues. As much as we may or may not like some of these concepts like LISA and others, there is strong public interest in reducing the amount of pesticide contamination in ground water and other environmental concerns. They are not going to die. As long as that is going to happen we have to make sure that we act as sensibly as possible, and that means coming up with the specifics that provide rule of reason. The kind of thing you just talked about is what I call hey, this is sensible what he is saying.

Mr. COPPOCK. I am not trying to say I am not going to do it. I am trying to say let's work out the best plan.

Mr. GLICKMAN. Sure.

I would like to make a point to what Mr. Reeder said. He talked about one of the things has to do with the freedom to farm. I just came back from the Soviet Union, I was there last week with the chairman of the full committee. We met with all sorts of folks. I was there 6 years ago. It is a changed Soviet Union.

Six years ago the line was anything you can do we can do better. Now the line is we have not done anything right at all for 50 years. Help us out. Tell us what we are doing wrong. We are terrible, we do not know anything. That is basically the change. We will see how long their openness lasts, but there are some good things potentially happening there.

One line struck me. The head of their Agriculture Ministry said, "We have a chronic shortage of foodstuffs. What we do not have a chronic shortage of is orders and decrees." I thought to myself, is this a farmer in Kansas talking? [Laughter.]

Is this somebody from the Soviet Union talking? Quite candidly, with all the problems we face from USDA and ASCS and SCS, are infinitesimal compared to a system where there is no marketplace at all. None.

So I guess what I am saying is that it was a pretty good lesson for me in terms of seeing what happens when you have governmental policies that are too interventionist, that do not have the rule of reason applicable. One of the ironies of all times is the most interventionist government policies in the history of this great country of ours has occurred during the last 8 years. Not during a liberal, Democratic Presidency. It has occurred during the last 8 years. The reason for that is because we went down the road of a farm policy where we deliberately lowered grain prices to become market competitive. In doing so, we had huge Government payments. When you have a farm policy with big Government payments, big taxpayer exposure, you open yourself up to all sorts of things that you do not have the liability of if you do not have those Government payments.

My urban colleagues are seeing $26 billion a year being paid out, and they want to make sure the money goes to smaller farmers, not bigger farmers, because they do not want to see one farmer get 5 million dollars' worth of Government payments. They do not understand in some places some farms are bigger than other farms.

When you have those giant kind of payments people are going to want to put on more onerous conservation plans and those kinds of things.

So quite truthfully, one of the reasons we went through so much bureaucratic heartache is because we had a program that just opened itself up for that kind of stuff.

My urban colleagues do not vote for this money saying it is great and want to give farmers everything they want because it is a nice thing to do. They have priorities in other parts of the country as well, and we have to do our best to show people that the amount we spend on agriculture is still infinitesimal compared to the total national budget. So, I think your point about maybe seeing some changes in total spending priorities may be down the road.

I guess my point is, we have learned a lot the last few years. Hopefully one of the things we have learned is that we can make some of these programs sensible and still accomplish long-term objectives as well, but we have also learned that we have to always keep a bridge between farm and nonfarm interests, urban and rural interests, that we do not know just what is best and they do not know nothing. Sometimes I sense that there is that attitude out there. That may be true, but it is irrelevant because there are more of them than there are of us. We just have to always keep that balance, that consensus. I think you all have brought that out today. I just want to reinforce what you said.

On the issue of flexibility, this is an issue everybody is talking about today. We need more flexibility. But in fact, flexibility is probably less relevant in terms of base and acreage problems here than it is in my county, isn't that correct? What you are saying is you do not have a lot of flexibility in terms of what you can really plant.

Mr. **Reeder**. Flexibility for us means that we have essentially the right to put things where it fits our soils and our microenvironment. A 10-year contract on CRP, for instance, is going to end up sodbound. It is going to be hard to get back into crop. There may be some significant problems for that.

However, if I had a CRP contract, and I addressed this in my written comments, that allowed me to contract for a certain number of acres or 1 percent of my base in CRP and I could move that acreage from one place to another, I could get some of the benefits of rotation. I could, as environmental conditions change and markets change, go in or out of grass and I could move it from place to place and participate in the program.

Mr. **Glickman**. What if flexibility means giving all the tobacco farmers in North and South Carolina the right to grow 100 percent of their acreage to wheat without losing any benefits under the tobacco programs?

Mr. **Reeder**. This is what we are afraid of. While we would like to see more flexibility, we are afraid of 100 percent flexibility. Our options in the dryer areas are such that if we cannot go into another commodity but everyone else can go into our commodity, then the instability for our rural areas and our communities becomes very extreme.

The other part of that is we do not have the planting options. It is wheat or barley for an economic return, and other things for other reasons, generally speaking. So if everyone else can shift our direction, then our market stability becomes worse, relative to other commodities, and yet we do not have the moisture conditions to go in and out of other commodities. While we have some fear of that happening we would prefer to have more flexibility to the extent it can be rationally imposed across the country.

Mr. **Glickman**. One final question, Mr. Pryor. At what price would you set this production marketing loan? Based upon your statement, you say the loan level would be a function of the commodities international market price plus an allocation designed to offset producer subsidy equivalents in other nations.

That could theoretically be $15 a bushel then for wheat. It could be whatever the European Community sets it at.

Mr. **Pryor**. I think our good common sense would prohibit that. I see part of the savings of our own Farm Program restructuring paying a large part of that PSE. This is a term that has come to the forefront in the GATT negotiations. It has lost favor as we have gone on because it becomes a can of worms, essentially.

I think one of the most important points in this program is the simplicity of it and also the opportunity to have a public bid in terms of what you set aside.

Mr. **Glickman**. I think it is an interesting idea. I think there needs to be more work done in terms of how the computation would be done.

Thank you all. Mr. Marlenee.

Mr. **Marlenee**. Mr. Chairman and fellow producers assembled here, I have not heard a package of testimony that has had more credibility or more influence in all of the hearings that I have attended in Washington, DC, in my 14 years. You people could write, as far as I am concerned, the grain section of the 1990 farm bill. It is very creditable. I think I could endorse it.

With that, I am going to yield to my colleague here because he can be very proud of this group assembled. Then I will have some comments and reserve my time until later.

Mr. **Smith**. Thank you for those kind words, Ron. I second those thoughts. This has been an excellent panel and I thank you for the obvious time you spent preparing what I believe to be a concise and very educational forum for we Members of Congress who must now begin to put some of your ideas into a 1990 farm bill.

Clinton, your international trade portion I think was exactly on point, and as you know, our Export Enhancement Program is very small. In fact we have reduced it, as you know, from an authorization, I think of $2.5 billion we only used $700 million last year. We have reduced it in this budget process to $500 million because that is about all we have used.

I am wondering if you have any other thoughts about how we could strengthen our international tools, one of which is the EEP program, and we have several others, as you know. Public Law 480, GSM-102, -103, and others. Do you see our tools adequate to meet the international market? Or do you see them inadequate? And if inadequate, where are they inadequate?

Mr. **Reeder**. I am not sure I am the best person to respond to that.

I think our membership is basically, except for some of the details in the program and the complexities, relatively pleased with the ultimate way the 1985 farm bill has functioned in terms of the international arena. We have demonstrated as a nation that we have the capacity to be highly competitive from the individual farm on up. We have with the 1985 farm bill demonstrated in my opinion that we can be terribly, almost harmfully, centralized. We have demonstrated with the 1985 farm bill that we can essentially pull grain out of a specific country elevator, if we so desire, and move it through a specific port by our capacity to manipulate posted county prices.

We can create financial incentives for a specific small area or a specific region. With export enhancement we have the capacity, in my opinion, together with our credit program and so forth, to move practically any commodity we so desire that is a program commodity to any nation in the world if we choose to pay the cost of being in the market.

From a tool standpoint I would say we are in fairly good shape. Sometimes tools have their greatest advantage in simply being there. I would hate to see EEP lost because once you throw away your hammer everyone knows you cannot hit anything. If you have EEP in your tool box or something equivalent to it, then we know and the international market would have the assurance that the United States is in the market, has the capacity to intervene and be competitive no matter what another nation chooses to do. I think from a broad-based international trade and international policy standpoint that is to our advantage, and probably to the world's advantage for everyone to know we are in the game, we are in the game to stay, and that we have that kind of flexibility to maneuver.

I guess another concern I would voice is that we have demonstrated to the individual farmer and the individual businessman that the U.S. Government is capable of functioning with a wide range of options. There is some considerable fear and insecurity in terms of what you do as an individual businessman because the uncertainty about what Government will or will not do next has become a far greater risk factor for us than the weather could ever be. When you are planning market plans, deciding when to sell or not sell, we have this huge unknown of when will the stroke of a pen or the next Government announcement take place that disturbs this market in a way we have not anticipated.

I think we need to address philosophically at least, how we use the tools we have and maybe develop some guidelines that trigger their use or assure the market that they will not be used to our detriment.

Mr. SMITH. That is an excellent answer. I would just like to add that I think I mentioned earlier, I really foresee a really tough trading position for the United States by 1992 with the European Community. You know these numbers, but last year the European Community spent $20 billion on subsidies to their agriculture people. They spent $11 billion on export enhancement programs, subsidizing their exports. We were poultry in the, paltry in the——

Mr. GLICKMAN. Poultry and paltry. We need more poultry in the program, right? [Laughter.]

Mr. SMITH. We were chicken! [Laughter.]

We spent I believe nearly $6 billion in this year for agricultural subsidies, and less than $700 million on export enhancement in comparison. So you can see by just those numbers alone that through the GATT negotiations, and I have followed them carefully, I do not foresee the European Community changing, very frankly, in the long term at all. They have to get tough and we have to get tough.

That brings me to the question I ran into in Turkey, and I suspect that this is duplicated around the world. It may well be. There are limits on GSM-102 and -103 programs, $5 billion. We coordinate those loans with the State Department many times, and we make those loans not so much with respect to agriculture but how we also get along internationally with those various countries and what incentives we want to send to them. So the large amounts of money go to areas like Mexico which has not been a very good credit risk. Much smaller amounts go to places like Turkey, which has been the best credit risk.

When I was visiting with those people they said you are a private, entrepreneurial nation, is that correct? Yes. Then why do you limit us to such a small credit program which means that the Government is going to absorb all of the purchases and the private importer does not have any incentive left? He does not have a credit program. So the Government takes all the program, this is their Government officials telling me this, and the private entrepreneur is out. Why would you want to encourage the Government to do it?

This fellow said look, what I really want to do is put myself out of business. I do not want the Government to buy everything that comes to Turkey, I want private enterprise to do it, but private enterprise is squeezed out because of these caps. That, Mr. Chairman, is why I am going to suggest to our committee that we investigate raising the cap on these loan programs from $5 billion to $7 billion at least, recognizing that this is not an impact on the budget unless those loans are not repaid. If they are not repaid, then of course the general fund budget of America picks up the tab. But maybe we could couch it in a method by which we would provide the additional $2 billion to those people who are rated as our better credit risks on down, so that the majority money does not go to the poorest credit risk.

Mr. **Glickman**. Would you yield? I would just say I think that is an excellent suggestion. You have made the point for some time about the fact that our better credit risks get the lowest priority in terms of sales, not gifts but sales. So I will join you in that request. Whether we can maybe hold some hearings toward the end of this year in relevant subcommittees to determine how we might augment our sales. Of course we are not just talking about wheat, we are talking about everything here.

Mr. **Smith**. Yes.

Mr. **Glickman**. This alone could have even a much more dramatic effect than the EEP program has had because it would create long-term, sustained trading relationships so I applaud you on that, and we will move ahead on that.

Mr. **Reeder**. May I comment?

Mr. **Glickman**. Please.

Mr. **Reeder**. It would seem to me it would be helpful to the extent you could politically do so, to separate the business of agriculture from the business of foreign policy. I do not know how you always do that effectively. But if you could essentially take from the agricultural budget that portion of credit that is purely foreign policy related you would, of course, affect the agricultural budget in a positive manner. It would have the effect, I think, for those of us who must play this market guessing game of forcing us to look at foreign policy's impact on agricultural business, and maybe help us make more sense out of why things happen relative to agricultural commodities the way they do. The fact is that governments have been involved in basic commodities since the beginning of time, most likely always will be because food is the most powerful weapon and tool we have in foreign policy and everyone knows that who is in position of power.

Those of us out here trying to run a business, however, have a very difficult time unless we understand the foreign policy side of the commodity markets is separate from our agricultural business side. If we could separate those budgetarily, it might have a tremendous effect on how we respond.

Mr. **Marlenee**. I want to play the devil's advocate on that a moment. Oftentimes we see things as black and white out here but that may not in fact be the case. There is a lot of gray area in between, foreign policy not to the contrary.

For instance, the other day I am told that Mexico cut off imports of lamb or sheep or their products into Mexico. I have not run down that rumor yet. I have not been in contact with staff. But if that is the case, do we retaliate, what kind of a foreign policy do we set, and what happens there? You see, all this stuff dovetails together. It is not quite as simple as—and I am sure you know that, Mr. Reeder.

Mr. **Reeder.** That is why I said to the extent that it might be possible. But I understand the gray area and I understand the interagency committees that are involved in those decisions, and there is no way to really isolate the reasons because many times those decisions are a multiple purpose decision and that is the way the world works and we have to live with that.

Mr. **Glickman.** Mr. Pryor.

Mr. **Pryor.** I cannot let you get away from here or this panel without speaking what the impact of the EEP is in terms of the Pacific Northwest. We all know that it was originally intended to combat the EEC and their subsidy provisions. Most of our sales are targeted to those common sales areas.

As a result of that, those areas are commonly using grains other than Soft White wheat. As a result of that, the Pacific Northwest has had very little opportunity to benefit from the EEP program.

Mr. **Marlenee.** The same with Durham, Earl.

Mr. **Pryor.** Correct. So I think in our deliberations we need to address that inequity if we can in some manner, because a very very small part of our international sales from this region are benefactors of the EEP program.

Mr. **Smith.** Obviously this credit expansion that I am talking about would benefit.

Mr. **Pryor.** Would help, yes.

Mr. **Reeder.** I am willing to sit here and answer questions. I am also sensitive to other people that would like to visit.

Mr. **Smith.** I just have one more question, Clinton, before you go. I am worried about this flexible yield question. It has been troubling me all the way through the 1985 farm bill. It troubles Mr. Marlenee. It troubles Mr. Glickman, but Mr. Glickman and Kansas are not so acutely aware of the problem. It is simply the one which Mr. Coppock has identified perfectly, and that is we can only grow wheat and barley, basically.

The theory is when you begin these movements of base and the flexibility, it means that if we have done a good job in wheat, we reduce stocks in this country, we are pressing our markets internationally, the price of wheat is back up where we can make a living. If we get it to the point where somebody in Kansas who has a corn outfit looks around and says hey, next year I am going to plant 640 acres of wheat rather than 640 acres of corn, and he can do that with a flexible base, we are dead in the water. We fought that question all the way through the 1985 farm bill, frightened to death.

As you know now you can move 20 percent of your base a year and we were very very concerned about that. I am, as well.

I want to make sure that what I was hearing from you was along those lines and if it was not I would like a clarification.

Mr. **Marlenee.** May I correct the record, Bob. You said flexible yield when you started out, and the record should stand corrected that it is flexible base you are talking about.

Mr. **Smith.** Flexible base, thank you.

Mr. **Reeder.** What I am speaking to is a great caution as you explore the idea of flexible bases. It seems to me that if you were to open the flexible base too far what you essentially do will put the U.S. Government in the position of having the absolute weapon to make sure that no commodity will ever experience the highs but will be guaranteed of experiencing the lows, especially in the areas that have the fewest alternatives. We in the dryland areas will take the greatest lows and we will be robbed of the opportunity to have the highs.

For that reason, we would absolutely oppose essentially an unbridled flexible base.

On the other hand, I guess I am saying that conceptually at least, the idea of being market responsive to a certain extent, maybe with a small percentage of your base from year to year, makes some sense, even for us in some cases. Some of us do not have enough barley base. If we could grow wheat and the market so spoke we could grow some barley. This next year I will have excessive barley base all of which I really do not need, but the program is going to force me to either plant zero barley or use all my base in order to protect my base history. If I had some flexibility I could grow all wheat, not barley, or I could make some combination moves that would make some sense.

Caution is the word I use.

Mr. **Smith.** You know very well if you get flexibility so do the folks in the South and so to the folks in Kansas and tobacco and on and on and on down the line.

Mr. **Reeder.** I understand.

Mr. **Smith.** So we have to be cautious. That is a good word.

Mr. **Reeder.** Caution is the word I said. I guess for me, Bob, we have to make a philosophical decision. We are either going to move toward a greater market orientation or we are not. If we are not, then we must strengthen the Government control mandates rather than reduce them. We do not have any farmers in my constituency who say they want to increase the mandates. So one of the prices I think we will have to pay is the cost for those of us with reduced options of a bit of flexibility. Cautiously. Very cautiously.

Mr. **Smith.** I just want to make a living while we are doing all this.

Mr. **Reeder.** We do too.

Mr. **Smith.** Thank you, panel very much. Unless you have another question?

Mr. **Marlenee.** Just because I yielded to you, Bob, does not mean I want you to cut me out of the program. He never has done that.

I want to ask a little question of the audience here. It is kind of fun, and I like to have a little fun while we are doing these things. But Bob just returned from Turkey, Bob and Kay. Mr. Glickman just returned from the Soviet Union. Bob obtained a little bit more credit and we are selling a little bit more product. Mr. Glickman visited with the prerequisite Ministers of Agriculture and the Soviet Union officials. I just returned from Taiwan.

How many of you oppose Congressmen going off on junkets?

Mr. **Reeder**. Not if you are selling wheat. [Laughter.]

Mr. **Pryor**. It depends on how much you sold in Taiwan.

Mr. **Marlenee**. Well I visited with the right number of people or the right people in trade. I am talking about the legitimate kind, not where you harass some kind of an AID worker over there or something like that, but I am talking about the legitimate ones.

I have a question for you. You had, again, good testimony. Let me reemphasize that. But you are talking about a marketing loan and a flexible loan, marketing loan. We had that proposal but not the kind of proposal that you are talking about, but we had a marketing loan proposal the last—in the 1985 farm bill. One of the problems was, Earl, that these kind of programs can be blown out of the water by somewhat meaningless, yet amendments that have a very great impact.

The reason that I did not support the last marketing loan is because it was tied to a flexible payment limit. You recall that proposal. Of course there is a lot of talk and political pressure just to get farm programs passed that we have payment limitation, which I oppose. There is something wrong with taking taxpayers' money and driving down the market price, and some of that taxpayer money belongs to the producer, and then telling him that they cannot participate in the program. That is the wrong kind of a concept.

But there is also talk because of that political pressure, and some action has been taken, to limit loans. I think that is key to what we are talking about here if we are going to, we have to avoid those pitfalls, if we are going to put the kind of program you are talking about into place. Could you comment on that Earl?

Mr. **Pryor**. One of the key points to remember in this particular loan is that it is a recourse loan. It is going to be paid back. It is going to put that——

Mr. **Marlenee**. Therefore we avoid this payment limitation.

Mr. **Pryor**. Correct.

Mr. **Marlenee**. Theoretically. But these technicalities often fly over the heads of those without practical management experience.

Mr. **Pryor**. People need to recognize that this is not a gift. It is a business consideration, that part of the loan. However, the PSE part of that loan is a subsidy in terms and the impact of that is to give us a more equal footing internationally in terms of income from our product.

The other part is the loan level is linked to the international price of grain. If you will remember in the 1985 farm bill, the Secretary of Agriculture was to determine what the international price was in this marketing loan. It was limited in the fact that there was a 70 percent cap in that as it related to the, as I remember, the target price and deficiency payments. So it actually made it unworkable in terms of the current international price of grain.

Mr. **Marlenee**. Let me ask you a question and bottom line this thing. If they attached an amendment to this kind of proposal that put a payment limitation on it, per se, flexible payment limitation even, would that pretty well destroy that concept?

Mr. **Pryor**. I would assume it would because you would only get that kind of coverage on a limited amount of your grain.

Mr. **Marlenee**. Driving people out of the program.

Mr. **Pryor**. Yes.

Mr. **Marlenee**. Thank you.

I found your discussion, Mr. Reeder and Mr. Coppock, about the environmental concerns very valid. I do not know exactly what we are going to do about them, but we have come out with a conservation plan which I opposed when they passed the legislation. Generally it says you can go twice over with a tool bar, maybe, the plan says that. You can go twice over it with a tool bar and then you have to have one chemical fallow application. Now Congress appears poised on the brink of passing legislation limiting the use of insecticides, pesticides, herbicides, and Congress is saying we are using way too much chemical and you have an agency out here mandating the use of chemical on fallow. Very conflicting actions by Congress. Maybe you have the U.S. Fish and Wildlife Service that says the Piping Fluver is nesting over here 2½ miles away and you had better not be putting insecticide out here on some of your grain that is infested with aphids or grasshoppers, and so we are driving producers into insolvency by the regulations that we pass in Congress.

I do not know what the solution to that is, but I think our groups are going to have to get to Washington. The word is not getting to Washington. When the Meryl Streep's of the world are in Washington, DC and they appear before the committee, you can be guaranteed of all the members of the committee being there and all the media in Washington, DC being in front of that committee. It is basically a self-enhancing thing that Meryl Streep and these people jump on these bandwagons, and they should be made to pay for the economic havoc and disruption that they are causing in our domestic market. Not only in our domestic market, but they are picking up on this internationally, and we are losing because of their actions international markets.

I have seen cases of grapefruit rotting on the docks in Taiwan and Korea because of the allegation of the use of alar, and alar is not used on grapefruit, only on apples. If a rat ate 28,000 of these a day, he might get cancer. Would you like an apple? [Laughter.]

Mr. **Reeder**. May I respond to that?

Mr. **Marlenee**. You certainly may.

Mr. **Reeder**. One of our county extension agents here in Oregon by the name of Arleigh Isley has a suggestion that I think Congress should very carefully consider. When our land-grant university system was put into place, most students come off the farms and the rural areas and did not have a liberal training or exposure. We mandated effectively in our education system that every person who graduated from college would have a liberal arts exposure in the process of going through their education.

I think we should very seriously consider from a national interest standpoint that it would now be wise, with most people coming from the urban area and most of the agricultural professionals increasingly also coming from the urban area and not having agricultural backgrounds, to introduce some kind of a mandate in our educational system that every graduate of any university in the

United States be required, and maybe faculty members also, to take a certain number of hours in the area of the management and development of natural resources. This would assure us that we would reduce the hysteria potential, in situations like the alar scare. It would assure us that the Nation on a much broader basis understood that the game of producing food, the security of the Nation requires not that we maximize erosion control or maximize crop production, but that we seek some sort of an environmentally sound balance between disease control and erosion control and conservation efforts and water quality. It is the balance, the most effective productive balance in those things that really provides for the security of the Nation.

The hysteria that we have now certainly says that the Nation does not understand managing natural resources. Environmental groups for the most part do not understand either. And mandating such an exposure in our educational system, preferably probably at the high school level but at least the college level——

Mr. **Marlenee**. What are we going to do about educating the educators?

Mr. **Reeder**. That is why I suggested faculty also be included in that.

Mr. **Pryor**. Maybe you ought to extend that as a mandate as a qualification to serve in Congress also. [Laughter.]

Mr. **Marlenee**. A little knowledge is a dangerous thing, Earl.

One of the great dangers as I have maintained, we talked about these conservation plans that producers have, the great dangers that producers have, is, these plans are approved by the local conservation districts. The environmental community has not quite gotten onto this, but those conservation districts are not necessarily made up of producers. We may have a member of the Audubon Society that strives to get elected to that conservation district, or we may have an environmentalist or a schoolteacher who has come in, or someone who is interested only in the harvesting of game, so those conservation plans can indeed be dramatically skewed unless we are very careful and unless Congress is cognizant of this they may in fact become more strict.

As I said before, I think it is incumbent upon we producers to make certain that our voices are heard in Washington and that we are not unbalanced by the Meryl Streep's of the world, those self-anointed toxicologists, and world's greatest toxicologists that come down there and appear before the committees.

As I said before, I have never heard testimony that was any more creditable or influential than you have presented. You may be assured, if I might, that my committee person will be, if I can arrange it, at the Portland conference that you have right after Thanksgiving. If that is all right with you, I would like to have him out there.

Mr. **Reeder**. Certainly.

Mr. **Glickman**. I want to thank this panel. I agree with Mr. Marlenee. This has been a thoughtful and excellent panel.

When we hold hearings in Washington, I think Mr. Pryor, you have testified. Have you ever testified before a congressional panel in Washington before?

Mr. **Reeder**. Not a full panel.

Mr. Glickman. It is rare that you can get more than two or three people there to sit for very long at all. Bells are ringing, and the pressures are great. Here we get a much better opportunity to sit and think about this concept. So I agree with Mr. Marlenee, you have all been excellent witnesses and we appreciate the fact that you came out here today.

The next panel, I would say that the first panel did take a little longer than we had budgeted, so I would ask our next panel to do their best to try to summarize their testimony so we can have time for questions. Again, every sentence in your statement will appear in the record. It is not necessary to read every line. I assure you that is the case.

We have Mr. William Schwerin, president of Washington Association of Wheat Growers; Mr. Natt Webb, chairman, Farm Programs Committee, Washington Association of Wheat Growers; Mr. Jonathan Schlueter, executive vice president, Pacific Northwest Grain and Feed Association; Mr. Don Cook, general manager, Pendleton Grain Growers Cooperative; Mr. Tom Trevino, executive director, Idaho Grain Producers; and we have added Mr. Fritz Hill, is he here? Mr. Fritz Hill, Oregon Grain Commission. Do you want to sit up here with the rest of this group? If you do not like the company you are sitting with you can wait until they are gone and sit by yourself. [Laughter.]

Let me start off by saying to Mr. Schwerin and Mr. Webb is that I have had the privilege over the last previous 10 years to serve under the tutelage of Mr. Thomas Foley who is now Speaker of the House. He was the chairman of the Subcommittee on Wheat, Soybeans, and Feed Grains, and when he became Speaker, I became chairman of the Subcommittee on Wheat, Soybeans, and Feed Grains.

Now there is a little kind of a fable that goes around Capitol Hill that the first thing you hear about when one of your colleagues leaves office is, was he above me in seniority on my committee. [Laughter.]

You would think we have a lot more sensitivity to our human beings than that, but in the case of Mr. Foley, I had a double reason for wanting him to be Speaker of the House. One of them is because he is probably the brightest Member of Congress and well suited to be Speaker of the House. The second of all, it allowed me the opportunity to move up into this job position.

But I did have the opportunity to serve under him. I have gone to Pullman, Washington, for a congressional hearing several years ago, and I have been in Spokane a couple of times. It is a privilege to have the Washington State group here as well as the Oregon folks. I thought I would mention that.

Why don't you go ahead. Again, I think we will just go down the row.

STATEMENT OF BILL L. SCHWERIN, PRESIDENT, WASHINGTON ASSOCIATION OF WHEAT GROWERS

Mr. Schwerin. It is a pleasure to appear before you, Mr. Chairman, and your committee.

I am Bill Schwerin, representing the Washington Wheat Growers Association with my testimony today.

A good deal of flexibility already exists in the 1985 Farm Program. Most of the flexibility has been left to the discretion of the Secretary of Agriculture, and for budget reasons he has been reluctant to utilize this flexibility.

Some of this flexibility would be detrimental to wheat prices. For example, the Secretary is currently contemplating removing the limited cross compliance provisions for wheat. I would like to underline that.

The net result would be additional wheat supplies and lower wheat prices. Traditionally producers would receive a lower wheat price and Government would have a larger deficiency payment for wheat.

We would encourage using the flexibility that exists in the farm bill for producers to try new alternative crops, but we would caution that some flexibility would damage the existing crop production and lead to additional future Government expenditures.

As in your State of Kansas, western Kansas, the State of Washington is 65 percent summer fallow rotation. Wheat is a semiarid crop. It is the sole livelihood of farmers in summer fallow dry locations.

There has been much discussion regarding conservation, ground water quality, and chemical and fertilizer usage. Wheat farmers are very concerned about all of these areas. We are directly affected by adverse impacts. We drink the water and we apply the pesticides. We do not want contaminated water, nor do we want to work with chemicals that endanger our health. We continuously consider the advantages and disadvantages of our farming and attempt to select the best alternatives with the information we have.

We support organic farming for those farmers who wish to pursue this type of agriculture. For organic farming to succeed, there must be a viable market willing to pay the premium price to compensate the grower for reduced yields. We would also point out that those involved with developing the 1990 farm bill, the low-input sustainable agriculture is not the same as organic farming. Most wheat producers feel that we have been farming with LISA for some time.

Presently grain quality is a function of blending and therefore represents an average. To effect the grain quality with respect to cleanliness and other deleterious characteristics, we would encourage the development of a feed class of wheat. This class could replace class 5 and sample grade.

This change should accompany a greater degree of regulatory authority for FGIS. It should not go unnoticed by this committee that the new Canadian Free-Trade Agreement could become the vehicle to adulterate our blended grain.

Establishment of a feed wheat class would help in the development of a new market and the cleaning up of an existing one.

The Conservation Reserve Program has been popular with both farmers and the environmental community. However, much of the land taken into the CRP was subject to wind erosion. In the high rainfall areas of the Pacific Northwest water erosion is a major problem and the current CRP rates have not been adequate to draw this land into the program. We would encourage orienting future bids toward the land's yield in order to draw some of the higher producing land into the program.

Current budget discussions mention freezing CRP at the present level. We support CRP to the extent that it does not cannibalize the present farm program. To preserve deficiency payments at the present level and the CRP, perhaps the CRP costs could be moved to the budget of another department.

New farm legislation should take lessons from the past and apply the successes and cast aside the failures. The rising prices of present were brought about by a combination of lower loan rates, export enhancement, and mother nature.

Loan rates should be set at market clearing levels. Loan rates should be a marketing tool and not a storage incentive.

The use of export inducements, notably the EEP program, will go down in history as the smallest amount of money spent for the greatest positive impact. Regardless of how we name it or by what logic we justify it, export enhancement is an answer to world trading challenges and is desperately needed. Agriculture depends heavily on this and other Government actions and attitudes.

The target price should be maintained at levels that provide a safety net to help farmers manage risk and provide the incentives for the Government to maintain an aggressive export policy. Current budget discussions talking of reducing target price below the $4 level for the 1990's and beyond. A $4 target price with the set aside requirements ranging up to 30 percent is not a profitable situation for most wheat producers. Low wheat prices are often caused by uncontrollables such as monetary policy, Third World debts, and embargoes.

Food safety issues such as the Kennedy-Waxman bill are of concern to our industry's future since these may impede our ability to compete in world markets. Over 50 percent of the wheat grown in the United States is exported, and over 80 percent of the wheat grown in the Pacific Northwest is exported.

Policies and regulations that depress and decrease our competitiveness in these markets should be fully disclosed. Economic impact studies should be required before measures are adopted. The American public should be made aware of the risk of import dependence when domestic production is lost.

In conclusion, it is particularly irritating to hear people talk about how the wheat industry would be better served by not producing for the program. In the 1980's the alternatives were narrowly defined as either going broke or farming for the program. The producers never produced for a subsidy. Indeed, they produced for survival.

Therefore, it is hard to visualize a major shift in production or any particular monetary advantage for producers with adoption of ideas such as decoupling or the triple base concept. It seems obvious that the major changes such as these would simply shift attention away from building a financially sound domestic agriculture.

Thank you.

[The prepared statement of Mr. Schwerin appears at the conclusion of the hearing.]

Mr. **Glickman**. Thank you very much.

Mr. Webb.

STATEMENT OF ROBERT N. WEBB, NATIONAL LEGISLATIVE CHAIRMAN, WASHINGTON ASSOCIATION OF WHEAT GROWERS

Mr. WEBB. My name is Natt Webb. I am the national legislation chairman for the Washington Association of Wheat Growers, and I am also a wheat producer.

I really do not have any prepared remarks. I helped Bill prepare the less controversial segments of his speech. I do have one area I would like to comment on, though.

We have seen the 1985 farm bill work when we had surpluses and low prices, and it has worked fairly well and our association is very satisfied with how it worked. Now we are in a position where we are going to see how it works as our prices are higher. It may not be as satisfactory as we think it is.

In particular, referring to a remark that Congressman Smith made earlier, the flexibility issue. It is our understanding now that the Department of Agriculture is considering three options to help increase wheat acreage. The first being lowering the set aside or ARP from 5 percent to zero. The second being lifting the limited cross compliance provision for wheat only. The third being granting the 10 percent base shift for wheat only, too.

I have talked to them and they have indicated that they are considering these alternatives and other alternatives. And speaking with our national association, it is our understanding that they will be coming out with some kind of remarks or a decision later on this week. We appreciate any assistance you can provide in looking into these matters.

That is basically all I have.

Mr. GLICKMAN. Thank you very much.

Mr. Schlueter.

STATEMENT OF JONATHAN F. SCHLUETER, EXECUTIVE VICE PRESIDENT, PACIFIC NORTHWEST GRAIN & FEED ASSOCIATION, INC.

Mr. SCHLUETER. Thank you, Mr. Chairman. For the record, my name is Jonathan Schlueter. I am the executive vice president of the Pacific Northwest Grain and Feed Association headquartered in Portland, Oregon. Ours is a regional trade association. It represents 175 of the commercial grain elevator facilities, the animal feed and flour milling operations, and the export facilities here in Oregon, but also in Washington, Idaho, and Mr. Marlenee's home State in the Big Sky country of Montana.

Many of the remarks that I had planned to say have already been covered in Congressman Smith's questions to Clinton Reeder in the last panel and by Bill Schwerin in his testimony a moment ago. But I would like to leave this committee panel with four thoughts in our testimony as you circulate through the Northwest and meet with the folks in Billings tomorrow.

No. 1, the members of our association account for about 30 percent of all of the grain that is exported from the United States every year. No. 2, here in the Pacific Northwest, as Mr. Schwerin mentioned a moment ago, between 80 and 85 percent of what we produce, the Soft White wheat primarily, is grown for export trade. Yet, No. 3, last year 68 percent of the Soft White wheat that was produced in the Pacific Northwest required either EEP, Public Law 480, GSM credits, AID, or other financing credit programs in order to move to our foreign customers overseas. Only one-third of our markets are cash markets. So we are enormously dependent upon the credit programs in order to get our grain moving off-shore, to get it shipped and delivered to the foreign customers.

No. 4, we need consistency in the administration and application of these Public Law 480, GSM, and more particularly the EEP programs. Just 1 month ago Congressman Smith and Congressman Marlenee received letters from the Pacific Grain Export Association, also headquartered in Portland, representing the grain exporters in the Pacific Northwest, outlining our concerns about Hard Red Spring wheat marketed in the Philippines which has traditionally been a 100 percent United States supplied market. Unfortunately, the Canadian Wheat Board has been aggressive in undercutting the U.S. price by as little as 25 cents a ton, less than 1 penney a bushel, in order to make inroads into that market and they have succeeded in capturing a third of that market in the 1989–90 crop year.

For Congressman Marlenee, that means one-third of the Hard Red Spring exports from the Pacific Northwest which is predominantly Montana origin wheat, has been lost or supplanted by the Canadian Wheat Board in that market, the Philippines.

We could recapture that with aggressive use of the EEP program, but at a time when we need it most, the USDA and Federal policymakers have seeming put the EEP program on a back burner. Have seemingly downplayed the use of that program. And has been content to point to the successes of that program over the last 4 years.

We need to send signals to not only the European Community but also to our Canadian and Australian competitors that the United States is in the world export market on the long haul. We have deep pockets and we are going to stay in these markets that have been traditionally U.S. markets, and we depend upon those markets for our grain exports.

I would leave you with those thoughts.

[The prepared statement of Mr. Schlueter appears at the conclusion of the hearing.]

Mr. GLICKMAN. Good points. I am going to follow up on those points in questions to you.

Mr. Cook.

STATEMENT OF DONALD J. COOK, GENERAL MANAGER, PENDLETON GRAIN GROWERS, INC., AND CHAIRMAN OF THE BOARD, ASSOCIATED OREGON INDUSTRIES

Mr. COOK. Good morning. I am Don Cook, general manager of Pendleton Grain Growers, Inc. Our company is a local cooperative owned by 2,300 farm producers. We have annual sales of approximately $85 million including grain storage and marketing, and extensive sales in farm supplies such as petroleum and fertilizer.

My purpose today is to briefly share some observations and opinions relative to the current and proposed farm bills. First an opinion. I believe that the present farm bill has been the most effective for our producers of any in the past 40 years. Having said that, I would point out that the CRP program has reduced our company's grain marketing and supply sales by approximately 20 percent. This also caused a 17-percent reduction in employment.

During the midyears of this decade we enjoyed large amounts of income from storing grain carried forward from previous years' production. However, the focal point of a good farm program has to be a viable and financially sound agricultural producer. For agribusinesses such as PGG and rural communities such as Pendleton to have a favorable economic climate, we must have a stable and financially sound agricultural producer. We must not get distracted by other self-serving interests, but keep in mind the long range view of the producers' importance.

This philosophy also applies to the entire State of Oregon. I currently serve as chairman of the board of directors of Associated Oregon Industries. This is an organization of 1,300 of the major businesses in Oregon. AOI is well aware of the importance of a stable and profitable agriculture to our State's economy. The Port of Portland and many business interests throughout Oregon are strongly supported by the economic activities that originate with our grain producers.

There are three specific points that I would like to leave with you today, some of which have been touched on already.

First, continuing the Export Enhancement Program is extremely important. Setting our company's grain storage interests aside, it makes far more sense to use budget dollars to allow our grains to be competitive in the world markets than it does to spend them on storage costs.

Second, in our dryland area of summer-fallow rotation we have no viable alternative crop options beyond wheat and feed barley. There are many other crop options in much of the United States than there are in the Pacific Northwest.

Third, and one that has not been mentioned, the time of passage of the new farm bill is extremely important. If our producers do not know what the game plan is until July or August 1990, as has often been the case in past circumstances, it will cost them and related agribusinesses who serve the producer heavily in lost efficiency of operation. In winter wheat areas such as ours, knowing the program 1 year in advance of planting is needed for reasonable efficiencies.

With those points, I thank you very much for coming to Pendleton and allowing us to share our thoughts with you.

[The prepared statement of Mr. Cook appears at the conclusion of the hearing.]

Mr. Glickman. Thank you very much, Mr. Cook.

Mr. Trevino.

STATEMENT OF TOM M. TREVINO, EXECUTIVE DIRECTOR, IDAHO GRAIN PRODUCERS ASSOCIATION

Mr. TREVINO. My name is Tom Trevino, and I am the executive director of the Idaho Grain Producers Association.

I want to thank you for the opportunity to testify for the 1990 Farm Program on behalf of the association which is made up of both wheat and barley growers in the State of Idaho.

As envisioned by the 1985 Farm Act, remarkable improvement has been made in the wheat situation during the last several seasons. The average crop year price of wheat in Idaho has increased substantially since the 1985 Food Security Act has been in place. According to the Idaho Agricultural Statistics Service, the average price has increased 42 percent from the 1986 crop year to the 1989 crop year.

Improvement has also been seen in the wheat stock situation in the past several years. The beginning stocks on June 1, 1989 were the lowest in 15 years. Exports of wheat from the Pacific Northwest have also had substantial increases.

The Pacific Northwest White wheat exports have increased 50 percent from 1986 to 1989. The Pacific Northwest Hard Red Winter wheat has seen a 25-percent increase during this same period. Exports of the Hard Red Springs have increased 18 percent.

The 1985 Food Security Act also has been favorable in encouraging our competition, specifically the EC, to make use of land diversion programs resulting in Americans benefiting through expanded world trade by decreased production worldwide.

The IGPA overall is happy with the results of the 1985 Farm Act but would like to offer the following considerations for the upcoming bill.

One, removal of the farm payment limit of $250,000. These payment limits discourage participation in the acreage reduction programs by the very large producers, thus making the farm bill expensive and encouraging some farm enterprises to produce other program or nonprogram crops which results in other commodity surpluses.

Two, farms should not lose base acres for under seeding or not planting. The current Farm Program penalizes growers if they do not seed every acre of wheat equal to their base, yet the intentions of the Farm Program is to reduce production.

Three, advanced deficiency payments should not be subject to refunds. Refunding advance deficiency payments is a hardship on growers, as this money is used for operating capital and some may not have the reserves to draw upon.

Four, the county ASC offices should maintain proven yield data and field cropping dates if so submitted and requested by the grower. There needs to be a correlation between the USDA agencies especially with the increased emphasis on Federal crop insurance.

Five, a farm's 5-year proven yield should be used in determining deficiency payments. In a year of drought or hail loss the farm's previous 5-year proven average should be used for that year's proven yield production.

Six, the acres to be used for base calculation on nonparticipating farms should not exceed the established base on the farm for that year. Furthermore, the base on nonparticipating farms should not be able to increase without petitioning the local ASC board for special considerations.

Seven, realigning target prices. One possible way to reduce outlays on commodity programs, increase total output and provide for greater production flexibility among crops is to realign target prices so that they more nearly approximate the production costs. Although the IGPA opposes the reduction of target prices, we support the fair realignment for all grains.

There is a chart in the written testimony, and I guess I just want to point out two different things here in reference to that chart. The barley and corn target prices versus the cost production figures. Barley costs of product is $2.93 while the target price is $2.43. Corn, on the other hand, has a cost of production figure of $2.35 with a target price of $2.84.

Eight, continuation of the Export Enhancement Program. The EEP has resulted in the export of over $8 billion in farm products and will help to assure the future vitality of the U.S. wheat and barley industry. The EEP has helped the wheat industry regain market shares lost to unfair competition, and we concur with Agriculture Secretary Yeutter when he called for the monetary cap on the EEP to be lifted.

If the United States is to bring the EC to meaningful negotiations in the Uruguay GATT Round, we must send a strong message that we will not tolerate unfair trading practices. We must aggressively use the EEP program for both wheat and barley.

Nine, avoidance of terminating trade subsidization unilaterally. Any move by the United States to unilaterally remove trade subsidies will be strongly opposed by U.S. grain producers.

Ten, the last comment, the IGPA supports limited cross compliance between program crops but would oppose any provision mandating off-setting cross compliance between farms.

I once again want to thank you for the opportunity of presenting these views, and hope that you will take these into consideration in the upcoming months.

[The prepared statement of Mr. Trevino appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you, good statement.

Mr. Hill.

STATEMENT OF FRITZ S. HILL, MEMBER, OREGON GRAINS COMMISSION

Mr. HILL. Thank you. It is very pleasant to be here. It is also very nice to have you here on this hearing in front of the Wheat, Soybeans, and Feed Grains Subcommittee.

My name is Fritz Hill. I produce wheat, barley, and dry peas in the Pendleton area, and I am also a new member of the newly formed Oregon Grains Commission. This commission will represent the feed grains, primarily barley, also rye, and triticale. I mention this new commission partly to accentuate the fact that the farm community is assessing themselves for research and development and expanded markets, and not looking solely to you for help in this endeavor.

I have heard quite a bit of discussion about summer fallow and I will delete any comments about that. I assume that you understand that now.

I believe that any conversation about the farm bill must include barley because in this area barley is the only viable alternative crop.

I would like to have you consider three things. Our export opportunities to Russia and the Middle East hold great potential for barley. The European Community currently serves most of this market and it will be necessary to utilize the EEP before these areas become too interested in our barley. Marketing promotions must not just be created but must be employed to have a positive impact on the market.

More technically, malting barley and feed barley must be considered separately when determining the target price and calculating the national price average. Consistent calculations would greatly reduce the possibilities of producers having to pay back any advance deficiency payments as they have in the past.

I believe that in my constituency grain producers would much prefer a maximum production oriented farm bill as compared to a reduced production bill with financial incentives.

Echoing what Mr. Cook has said, it is very important to any producer to have a farm bill in place at least 1 year before the actual planting date. Several times in the recent past farmers have gone into the planting season only being able to guess at the finalized farm bill.

With those very brief comments, I would like to thank you for being here. It has been a pleasure being in front of you.

[The prepared statement of Mr. Hill appears at the conclusion of the hearing.]

Mr. **Glickman**. Thank you.

Again, all excellent testimony. I want to also applaud you for the brevity of your oral testimony, because your entire statements will appear in the record.

I would just make a couple of comments. One is, Mr. Hill and everybody else has talked about summer fallow. We have a colleague in Kansas whose name is Pat Roberts. It is like he has this Pavlovian thing with him. Whenever he opens his mouth you expect to hear the word summer fallow. And in fact he was once explaining this term to a colleague of mine from New York State and the colleague could not understand it, and he said "Just think of summer fallow as an Indian princess and then think positively about her and that is all I ask you." [Laughter.]

Summer fallow is obviously important in my territory as well, and we will do our best to make sure that next year's bill reflects that, for on areas such as yours which do not have the planting flexibility that my particular area does.

Let me just make a couple of quick points. Mr. Trevino, your statement goes through a lot of things and I thought I would mention them quickly.

The payment limit. That is controversial, but I would lie to you if I were going to tell you we are going to remove the payment limit.

That probably will not happen. What we probably have to do is examine it and make it as reasonable as possible, but an amendment will come to the floor every time if we remove the payment limit to put a payment limit on, and it will pass. So it may not make a lot of sense, but it is difficult for a lot of our colleagues who see Government programs being reduced in their areas to think that $250,000 is not enough.

The reason I say that is because sometimes I get people talking to me to get rid of it. I would say this is probably one of the things that is probably least likely that we will be able to change. What we have to do, I think, is make it as reasonably applied as possible. We will continue to work on that.

Mr. MARLENEE. If we threw it out without negotiation, you would probably have a far more stringent and a lot worse proposal or payment limitation than if we try to work with the thing. I do not agree with it totally.

Mr. GLICKMAN. Mr. Marlenee has been one of the strongest advocates for eliminating it. But I am just saying as a practical matter it is something you can keep speaking to, but I would not put a lot of energy on it because it is probably not going to happen.

On the proven yield issue, we just passed a bill in the House that requires the Department to permit farmers to establish proven yields as opposed to the historic yields which works against him. We need to move back to that as part of next year's farm bill as well. That subject has come up many times before.

Realigning target prices. I do not see any corn growers here in the room, but I see you all feel that the corn target may be too high and the barley target may be too low. I have heard that before. It is interesting because 80 percent of the cost of the Farm Program is in corn and in the other feed grains. So we are talking big dollars here.

You may be right, where it would be nice to realign the corn target price. As I have said before, in American agriculture corn has kind of been the engine which has driven farm programs. It is the biggest cash crop we have, by far.

I do not know what we do there, other than I do know the relative level of the targets have been skewed. For example, we see no oats being produced because the feed grain targets are not in line and it is more productive for people to grow either corn or barley than it is to grow oats, therefore we do not grow any oats and all those people who want to eat oatmeal to reduce their cholesterol are forced to import Norwegian or Swedish oats in order to get those cereal boxes filled.

But it is obvious that we ought to examine the relative nature of these target prices.

Mr. SMITH. Would the chairman yield on that?

Mr. GLICKMAN. I would be glad to.

Mr. SMITH. Thank you, Mr. Chairman, thank you for yielding.

On that point, while barley is certainly underestimated and likely oats, as you mentioned, it has occurred to me more than once that with corn in its position of prominence as far as identification on the relative placement of loan and target prices, people will not be so interested in moving out of corn to wheat, will they?

Mr. **Glickman**. Maybe we should raise the corn target price. [Laughter.]

All I am saying is these things interrelate and are very complicated. One thing, I think, is we need to reexamine those target prices as part of the 1990 farm bill to make sure that there is a rule of reason applied so people are not artificially planting one versus the other.

One final thing, the EEP program. Well, two things. One is on target prices. Does anybody here believe that we ought to reduce target prices as a part of next year's farm bill? I am getting heads shaking no. The record should reflect that.

The Secretary has indicated some desire to accelerate reduction in target prices. History shows Congress has tended to resist that.

Mr. **Schwerin**. If the Secretary is right in all of his conclusions in how we are going to be opening new markets with greater flexibility and all of these things with the trade negotiations, the $4 target price is not going to impede this. The $4 target price is an incentive not only for good negotiations. It is also an incentive for good operation of the Department.

Mr. **Glickman**. So you think it would be a mistake for other reasons to drop the target price.

Mr. **Schwerin**. Very definitely. It is not in use now. When the markets are starting to dictate how they are going to form, that is how we want to form, but there is no liability in terms of the $4 target price at $4.20 wheat.

Mr. **Glickman**. Well, just something we have to watch, but we like to at least get from folks out here that there is not a groundswell of support to drop the target price let's say another 10, 15, or 20 percent.

Mr. **Schwerin**. My testimony directly relates to that.

Mr. **Glickman**. OK.

The final thing is the EEP program. Do any of you have any specific comments on whether you have seen evidence that the EEP has been administrated or implemented in any way but a good, fair, honest, open way?

Mr. Schlueter, you talked about EEP, you want to see it continued. I do too. I was the author of language which expanded the amount of EEP authority in the trade bill. I have, however, grown increasingly concerned that in using the EEP the Department of Agriculture is acting just like a grain board in a socialist country. It sets the prices, it determines the terms of all foreign sales. It basically is acting just like the Europeans are. Maybe we do not have any choice.

One of my concerns is that if we do this too much in secret, then certain folks will benefit and other folks will not. We found, quite curiously, that one grain firm that was getting the benefit of moving grain under the EEP program was a company called RichCo Grain owned in part by Marc Rich. He is the largest tax evader in the history of the United States of America. He owes $200 million in back taxes to Uncle Sam. He is an escaped fugitive. He is in Switzerland right now. And a company that is affiliated with him was getting bonuses through the EEP program.

Mr. **Marlenee**. I would be in Switzerland, too. [Laughter.]

Mr. **Glickman**. In any event, I guess what I am saying is that I like EEP too, and it is a good way to not only move our grain, but it is a good way to deal with the trade issues. But I just want to, there is a little warning here that if the Government uses EEP aggressively, the Government becomes the market dictator in this country. We have to be honest about it. It does tend to squeeze the private sector out a little bit.

Do you have any comments on that?

Mr. **Schlueter**. A point well taken, Congressman. Yes, I would agree with you, and yes that argument has certainly been made a number of times and has been well publicized.

The point that I was hoping to make in my testimony, in the case of the Philippines and other countries that depend upon the United States for EEP or look to us for credit enhancement programs of some nature is simply that the on-again-off-again schedule; the "we will get back to you in 1 month" stalling; as we get close to the end of the Federal budget year; as the new crop of U.S. wheat is coming out of the fields; is often the time when the foreign customer is in the market here trying to supply his needs 6 months; 7 months; 8 months out. He does not have that ability to plan his supply and needs like any other consuming nation should and would. He is, instead, hostage or dependent upon the vagaries of a USDA policymaker in far-off Washington, DC before he can determine where his next shipload of wheat is going to be coming from.

In a price sensitive market like the Philippines, they are not willing to wait. They will go, instead, to the Canadian Wheat Board and hear what they have to say. I think that is a shame.

Mr. **Marlenee**. Would the chairman yield on that?

Mr. **Glickman**. I would be glad to yield.

Mr. **Marlenee**. There are some interesting concepts brought up here. One is the drift toward maybe a little more stringent EEP, yet I think Mr. Schlueter, you will have to say and be one of the first to say that we need the flexibility. We do not need a strong guideline from the Agriculture Committee, but we need the flexibility to deal with this. We have to have that flexibility in order to offset entities like the Canadian Wheat Board that we just referred to. So I think we should approach drawing guidelines very cautiously, and I am talking about the committee of Congress, either the Senate or the House, and putting those guidelines on the Department of Agriculture.

Another thing that we did is looked at the possibility of a 1-year target price or deficiency payment evaluation which may be an incentive to the Department of Agriculture to maintain a more stable EEP program instead of using it to try to skew the price of grain on the world market in order to avoid deficiency payments, if you follow what I am saying.

Mr. **Glickman**. I want to thank this panel. This was an excellent panel, and I am going to yield to my colleague, Mr. Smith.

Mr. **Smith**. Thank you, Mr. Chairman.

Just before you leave, I wanted to ask you, Fritz, there are several people that I know about in this region who must pay back a portion of their advance deficiency payments. We have been investigating the possibility of using those advances as a credit against your next year deficiency payment rather than digging up the cash and sending it back to Washington and then they send another deficiency payment back to you.

What would you think about that sort of effort? And would it be of any help?

Mr. **Hill.** I cannot speak for everyone on that, Congressman Smith, but my personal feeling is it is much easier from a personal standpoint to defer that, coughing up that advance deficiency money, and it might make for a little easier financial planning 1 year down the road than it would be to cough it up right now as it would be to offset it against future deficiency payments.

I believe if I were in that position I would opt for that if I had a choice.

Mr. **Smith.** Thank you.

The other question I had escapes me. Mr. Chairman.

Mr. **Glickman.** We will make sure you have the last word here. Thank you for your testimony. Again, excellent testimony.

Last panel, Mr. Larry Lear with the Oregon Farm Bureau Federation; Mr. Terry Witt; Mr. Richard Eymann, former Speaker of the House.

Mr. **Eymann.** Another former Speaker at the podium.

Mr. **Glickman.** Do I have to give him deference too?

Mr. **Eymann.** Sure.

Mr. **Glickman.** And Mrs. Merlina Tate. We thank you all very much for coming.

Why don't we go ahead and start with Mr. Lear. We will go Mr. Lear, Mr. Witt, Mr. Eymann, and Mrs. Tate.

STATEMENT OF LARRY F. LEAR, CHAIRMAN, WHEAT AND FEED GRAINS COMMITTEE, OREGON FARM BUREAU FEDERATION

Mr. **Lear.** Mr. Chairman, and Bob, in reply to the question you asked the earlier panel about the advance deficiency payment payback, I think a question that would immediately arise in my mind as a producer is: How is that going to be treated tax wise? We have seen that happen to us before, and the revenuers eat us alive. So that needs to be defined up front.

Mr. Chairman and panel, good morning. I am Larry Lear, chairman of the Oregon Farm Bureau Wheat and Feed Grains Committee. I am a grain farmer from Condon, Oregon which is, for you gentlemen not familiar with the State, is located in eastern Oregon. I will talk about that a little bit more as I proceed on.

I am pleased to be here today on behalf of the Oregon Farm Bureau Federation. The Oregon Farm Bureau Federation is not particularly a Farm Program organization in our State. That is the point I would like to make, and that is the point I would like to emphasize. I am not going to go through the large amount of written testimony which I have here.

Mr. **Glickman.** It will all be in the record.

Mr. **Lear.** The point I would like to make is the Oregon Farm Bureau organization is not a program crop large membership. Our largest membership derives from the cattle industry, the grass seeds industry, and dairy industries. Until 1985, farm programs were something that the bureau tolerated and they had a national position on, which I know you are very familiar with, and you will see in the front part we have addressed that as a State organization. But I do think it is important that you review this in line with a nonprogram membership. The largest agricultural membership organization in the State of Oregon.

I would also like to draw your attention to staff comments that are made on some of these things that were addressed today. I would like to say that practically every question I heard addressed by your panel is addressed in positions in the written testimony.

I would like to draw your attention to the specifics on the discussions on low input sustainable agriculture, or LISA. We are very concerned about that program and we have lots of questions that should be considered.

We have a very good discussion on integrated pest management, biotechnology——

Mr. **Glickman**. If you would hold up for just one moment. We have another colleague of ours here, Congressman Jim Jontz from the State of Indiana.

Remember we were talking about all of you people in this room who wanted to cut the corn target price? [Laughter.]

I knew he would show up. We really did not reach a consensus to cut it more than about 30 cents a bushel. We figured you would not mind.

Go ahead, Mr. Lear.

Mr. **Lear**. Thank you.

I am talking for the Oregon Farm Bureau, and we do have some corn growers in that organization which you will not see very many corn producers in the rest of the audience, my fellow producers.

I would like to go over that list of items just to emphasize. There are good positions taken and I think they are important to the committee in drawing up the 1990 Farm Program that you look at that.

We are concerned, we specifically like LISA because it is a new program, it is a key buzz word, new thing, money has been appropriated for that, and we all know the budget is more limited than it has been, and that becomes competition to good, prudent programs we already have on the books.

Some of those good, prudent programs that we think need a little bit more help is the biotechnology. There has been a lot that is proven, good management practices. We need to encourage those programs and give them better policy priority if we can in the development of a new bill.

With those comments, I will allow you to review that and pass it on to the rest of the panel.

[The prepared statement of Mr. Lear appears at the conclusion of the hearing.]

Mr. **Smith**. Mr. Chairman, thank you for allowing me to interrupt for just a second. There is a gentleman in the back of the room who just walked in who is a former colleague of mine in the Oregon State Legislature. He is a State senator, chairman of the ways and means committee. He is a farmer. He is well known in this area. He is an awfully good friend of mine. So Michael, stand up, Senator Mike Thorne from Umatilla County is here today.

[Applause.]

Mr. GLICKMAN. Thank you. I hope he may impart some of his wisdom as well.

Thank you very much.

Next we will hear from Mr. Witt, executive director, Oregonians for Food and Shelter. Thank you for coming.

STATEMENT OF TERRY L. WITT, EXECUTIVE DIRECTOR, OREGONIANS FOR FOOD AND SHELTER

Mr. WITT. Thank you, Mr. Chairman, members of the committee. My name is Terry Witt. I am executive director of Oregonians for Food and Shelter. I would like to thank you for the opportunity to come before you and discuss our concerns about the 1990 farm bill.

First of all, OFS is a grassroots coalition representing more than about 20,000 concerned citizens, farmers, foresters, ranchers, businesses and organizations who live or operate in the Pacific Northwest.

Mr. SMITH. May I interrupt?

Mr. GLICKMAN. Yes.

Mr. SMITH. Mr. Chairman, thank you. I failed to introduce also a very good friend of mine, a member of the State legislature from Umatilla County who has also been with us all morning, Representative Chuck Norris. Chuck is here.

[Applause.]

Mr. GLICKMAN. You may go ahead.

Mr. WITT. Thank you, Mr. Chairman.

As I was stating, our organization is guided by a simple philosophy and that is basically that agricultural chemicals, namely pesticides and fertilizers, when used properly are beneficial and often essential tools for the production and protection of our food, forests, homes, and our well being in this particular region.

OFS objectives are unchanged since we were first organized in 1980 and they are equally as straight forward.

One, to educate the public with balanced, accurate information about pesticides.

Two, to promote only the same and proper use of pesticides according to label directions.

Three, to help ensure that the regulatory and decisionmaking processes do not unnecessarily restrict a person's right to responsible use of pesticides. It is in this last area that I would like to discuss some concerns relative to the 1990 farm bill today.

As stewards of the land and managers of our environmental resources, our members truly do understand the need for balance and a system approach, one that maintains a practical balance between ecologic and economic parameters within policies impacting the production of food and fiber in our country today.

I would hope that when one goes through putting together the farm bill that they will look at four basic requirements which we think must be met when formulating the 1990 farm bill.

One, that the scope of the bill be limited to avoid duplication and unnecessary overlap with existing regulations.

Two, that provisions within the bill be economically justifiable.

And last, above all, the measures be based on sound science and practicable technology.

Let me give you a few examples of some of my concerns with specifics relative to the potential inclusion of restrictions on the use of agricultural chemicals and ground water protection requirements that could well arise and be included in the farm bill.

The Federal Insecticide, Fungicide, and Rodenticide Act, typically called FIFRA, regulates the registration, labeling, and use of pesticide products in the United States. This dynamic regulation establishes the legal uses for each pesticide requiring the registrant to provide data sufficient to show that the pesticide does not pose an unreasonable risk to man or the environment when used for its intended purpose. The label is the law and any further regulation of pesticides should be done through amendments to FIFRA as was done late in 1988. We would encourage that no further regulation of pesticides of pesticide restrictions be done in the farm bill outside of FIFRA.

Likewise, when you look at the area of the Federal Food, Drug, and Cosmetic Act which establishes tolerance setting processes for residues in foods, it stipulates that they are to be set at levels deemed necessary to protect the public health while taking into account the need for an adequate, wholesome, and economical food supply.

Many proposed amendment concepts are being discussed for the food safety or "Delaney Clause" issues. Regardless of your position, however, I think these also need to be kept separate from the 1990 farm bill.

There are also a variety of Federal and State cleanwater acts and programs which exist to control and protect water quality from both point source and nonpoint source pollution. Oregon, for example, just passed an extensive ground water protection program this last legislative session which will proactively seek the best practicable alternatives to minimize the impact of agricultural, industrial, and urban activities on ground water quality. It is based upon education, research, and sound scientific data. We believe this is where these types of measures and regulatory programs belong. They do not belong merged with the farm bill.

There will be, however, those who will attempt to use the 1990 farm bill as an instrument to achieve their own special agendas. In the Pacific Northwest we have seen the ravishing outcome of such manipulations or as we call it, monkey wrenching, with the Federal Endangered Species Act and the Northern spotted owl. Preservationists are using it and other regulations as a surrogate to stop the logging of old-growth timber, resulting in the loss of billions of dollars to the timber industry.

We have all witnessed the recent Washington, DC, legal group, Natural Resources Defense Council, NRDC, use of bad science; Meryl Streep and the television program "60 Minutes," to almost destroy an entire U.S. apple industry for the sake of their own publicity and the quest for contribution dollars. We cannot let this happen to the farm bill.

Please pay particular attention to these and other types of special interest attempts to further restrict agriculture's ability to do business in an efficient manner. Keep the 1990 farm bill on track for its intended purpose and maintain clear distinctions between it and other regulatory programs such as FIFRA, the Food Drug and Cosmetic Act, and cleanwater programs.

There are some who believe we should track down chemical residues in our air, water, soil, and food to the parts per billion, parts per trillion, and even parts per quadrillion levels in an attempt to make our environment risk free. Those who understand science, however, know that reaching zero risk is an impossible goal. Blindly chasing this unattainable goal is not only a tremendous waste of our limited resources, but also focuses attention away from higher priority issues which do warrant corrective action.

Many would have you believe your goal is to minimize agrichemical use at all cost, regardless of benefits lost. The correct solution, however, is develop a program which maximizes the most efficient and ecologically sound use of all integrated technologies: Biological, mechanical, cultural, and chemical. Anything less and we not only short change the American farmer, but we also short change the consumer.

As policymakers within the agricultural industry, we must have the fortitude to speak out against programs which are based on public misconceptions and politics if we are to maintain our role as the world leader in the production of high quality, affordable food and fiber.

I ask your help in ensuring that the 1990 farm bill does the same

Thank you.

[The prepared statement of Mr. Witt appears at the conclusion of the hearing.]

Mr. **Glickman**. Mr. Eymann. It is a pleasure to have you here.

STATEMENT OF RICHARD EYMANN, PRESIDENT, PACIFIC NORTHWEST FARMERS UNION

Mr. **Eymann**. Thank you, Mr. Chairman. It is a real pleasure to be here.

Chairman Glickman, your earlier comments stated about how you were on the ladder to leadership.

Mr. **Glickman**. I did? Oh, you mean with Speaker Foley. Well, it is true. [Laughter.]

Mr. **Eymann**. And the wisdom that was shown by the Congress in selecting a former chairman of the Ag Committee shows the potential that lies in your future. And that is not only limited to you. It also applies to Congressman Marlenee. Occasionally parties do change in control, and if you are in this position now, the ranking Republican on this committee and the leadership should change to the Republican Party, maybe the Speakership of the House is in your future as well.

Mr. **Marlenee**. We are working on that.

Mr. **Eymann**. That is what we understand.

And changes do occur, as Congressman Smith knows. He was the Republican Speaker the year before I became Speaker, and at that time the Democrats were in control, so it will switch.

My wife and I are farming near Springfield, Oregon. We farm 240 acres with my 29-year-old daughter Penny. We raise sheep, grow hay, and oats, and do some logging. I am president of the Pacific Northwest Farmers Union and I am speaking on behalf of our membership at this meeting. Nationally we have 250,000 family farmers in the Farmers Union.

Some of the testimony today appeared to be rather rosy about, usually you hear the word plight of farmers, the condition of farmers. I would like to remind you that in Oregon, according to recent statistics turned out by the American Bankers Association, there was a net loss in family farms of 7,812 since the year 1981. The Department of Agriculture still lists them as farms and comes out with numbers that say the number is exactly the same as it was in 1981, but undoubtedly they are counting units of farms in their counting that are subsidiaries or portions of a larger ownership or a new ownership.

I would also like to point out that 36 percent of all Farmers Home loans in Oregon are delinquent, and 46 percent in Marion County. I know this has little to do with it, where the State prisons, the State mental hospitals, and the State capitol are located. [Laughter.]

Mr. GLICKMAN. Every testimony has presented something new. We have not heard that before.

Mr. EYMANN. I want to congratulate your committee, particularly on the title at the top of your agenda. Review of issues relating to, and I emphasize the last few words in the title, the formulation of the 1990 farm bill. There were fears that the 1985 farm bill would be reenacted, and you have come to the grassroots to find out what the issues are and to consider those in your enactment of a 1990 farm bill.

I am only going to touch on a couple of the points that have been previously covered pretty well. We, the Farmers Union, support expressing base for the 1990 farm bill in terms of units of production rather than acreage. The USDA can more accurately estimate program costs and the farmers can more sensibly plan their land use, and that includes conservation because they can rotate certain acres for other acres to arrive at the bases in units.

We also support a return to the flexibility of a normal crop base instead of the commodity specific bases used in recent years.

Farmers should be able to use sensible crop rotations without losing base, and they should be able to respond to market needs. Decisions as to the percentages of base to trade among commodities should be left at the local level of ASCS.

Beyond ensuring that domestic needs are met, Congress must work to expand our export markets. The Export Enhancement Program, EEP, has been effective in allowing the United States to compete in the world wheat market. However, we cannot indefinitely sustain the level of program costs. In addition, although the EEP provides a direct benefit to the multinational grain trader, it does little to enhance the income of the grain farmer.

I am a little perplexed that a Member of Congress, in this case Congressman Smith, is the one that got additional credit for Turkey. Maybe that is the role of Congressmen. I know it is to help out particular situations, but one must wonder why the administration did not take that initiative. But Bob being a farmer, you show all kinds of initiative on the farm in order to keep the equipment running, and that must be the case here.

A few words on GATT. Now we must be careful not to let the general agreement on tariffs and trade, GATT, negotiations further tie our hands on trade policy. Agricultural policy must be decided in the United States by our congressional Members who will fight for our producers. Further, any trade agreement unduly restricting the U.S. Congress' power and authority to foster and promote the agricultural economy of the United States would be contrary to the economic security policy of this Nation.

Although GATT has been slated for fast track treatment by Congress, we would request that a resolution be passed to allow the agricultural title, that portion, to be voted on separately from the other GATT provisions. We believe a separate vote is in order due to the unique and inherent differences between agriculture and other industries being affected under GATT.

A few comments in conclusion. I did not get into supply management, which is one of our proposals, Farmers Union proposals.

I am pleased that you are seeking a proposal for a farm bill. Farmers Union has and is preparing a draft for a proposed bill. We do not intend to wait until the Congress has come down the line with a draft of a farm bill and then merely react. We are coming up with some very positive proposals as to how the condition of the U.S. farmer can be improved and to end up with less cost to the Federal Government. So that should satisfy all Members.

We know that will be revised. We know that we will not get all we request. But at least we are trying to be as helpful as possible. That is a grassroots proposal coming from family farm producers, and we appreciate this process particularly that you are involved in.

Farmers Union is going to have a fly-in to Washington, DC about the 9th of September with 400 to 500 farmers coming in from all States in which we have relatively large membership. We will be making a pitch hopefully as to our concerns to every Member of Congress.

What you are involved in is not a fly-in but a fly-out to the grassroots, maximizing the Democratic/Republican form of government which we all enjoy so dearly in this country. Your references earlier to the Russians, Mr. Chairman, that they are finally discovering that giving individuals the incentive to use his own enterprise to perform the needs of society is a good demonstration of what we all can do together. Your committee, I am sure, is attempting to do the same, particularly with your agricultural backgrounds.

Thank you.

[The prepared statement of Mr. Eymann appears at the conclusion of the hearing.]

Mr. **Glickman**. Thank you Mr. Speaker, very much for those nice comments. I would say that I can think of no better negotiator for the United States to sell anything than Bob Smith. In fact I think he would make a pretty good Secretary of State. At least we would have one with an agricultural perspective. I don't think he wants the job.

Mr. **Smith**. No I don't. I choose not to run.

Mr. **Glickman**. Mrs. Tate, it is a pleasure to have you here.

STATEMENT OF MERLINA D. TATE, SECOND VICE PRESIDENT, WASHINGTON STATE, WOMEN INVOLVED IN FARM ECONOMICS

Mrs. TATE. Thank you, Mr. Chairman.

I am Merlina Tate representing WIFE, Women Involved in Farm Economics. When you mentioned those field hearings in Pullman, I think it was around 1977, I remember testifying there. It seems to me that it was very emotional, we were desperately crying for better farm programs for some rhyme or reason to the way Government treated agriculture, and I think we have come a long way. Today we are talking about specifics. We are talking about special areas in the farm bill that need improving. We are not saying the whole thing has to be chucked. I am really glad that Congress has matured that much and that we as farm organizations have matured that much. I would like to see us continue.

Mr. GLICKMAN. I will just say, I will never forget those hearings as long as I live. There were about 3,000 people at a hearing on the Subcommittee on Wheat, Soybeans, and Feed Grains. There were a lot of folks in the room who, let's put it like this, if they had weapons I would not be here today. [Laughter.]

They took a lot of their wrath out on then Congressman Foley who is now Speaker.

But it was an interesting time. It was a time when activism in agricultural circles was really being flexed. It was a time I think it was necessary when some of those frustrations had to come out, and they came out in the legitimate democratic process. So it was something I will never forget, certainly.

Mrs. TATE. I won't either.

WIFE is a farm organization nationwide. The one great thing about our organization is it includes members from all commodities and all different areas of farming. When we get together in a national meeting it is very important for us to share our concerns and what affects us, so we do not want anything in the farm bill that will adversely affect another farmer. What benefits me should not adversely hurt that other farmer. We really saw that when they could plant beans instead of wheat, and then all of a sudden the edible dry bean market went to pot. This is a very difficult thing to address, but a very important part of the 1990 farm bill.

A lot of the testimony today has already gone into detail into a lot of things that WIFE supports. From the 1985 farm bill we like the EEP program. My concern also is what part of it we do not hear about it and what abuses there might be. That is something that Congress will definitely have to address.

We very much support the CRP program. We have seen wonderful results in our area up around Almira. We are an 8 to 10-inch rainfall area and to see that ground that should probably never have been farmed in the first place but has been farmed for 100 years being put into grass, it has reduced the soil erosion, given good wildlife.

Our main concern with it is that some of the farmers are getting weed problems and that comes under your county control. The counties can tell you how you are supposed to seed that grass and so forth. Maybe that worked in the east end of the county but it did not work in the west end of the county. We have to keep working on that. If those farmers cannot get that under control and are developing bad weed problems they should be somehow penalized or not receive their payments or made to make it good. We do not need weed problems.

I think as far as the claim that the little towns died because of CRP, well they would have died anyway because we were in big trouble and that ground was not allowing support of the farmer.

We like the CERTS Program. I think it has been a wonderful way to reduce our surpluses and give cash-flow to the farmer. It has worked very well. Also that it should remain generic CERTS.

We like the target price concept and do not think it should be reduced.

We really support supply management. I do not think you can throw away the idea that we might be able to produce too much. You have to have a good supply management program in place in case of need and also implement it soon enough before we build the surpluses.

I strongly support, and WIFE was very instrumental in working toward H.R. 2973, which is a bill by Representative Marlenee to give the women equality on the farm. It is to make a woman that can qualify the same as any other person eligible for a payment limitation. It does not automatically give her that payment limitation, but if she participates in the management and the work on the farm, if she does the same thing that qualifies a brother, an uncle, a son, a son-in-law, then she should also be eligible for that payment limitation. I would really encourage Representative Glickman to sign on to that bill and to make sure that it is part of the 1990 farm bill because presently this bill applies to the 1985 Food Security Act.

Mr. Jontz, I am not sure if you are on that or not, but we would like to have you on it and I know that Bob Smith has already signed on.

We are very concerned about the quality of life in our small towns. We definitely want rural development that applies to agriculture. Any businesses that can put add-on value to the agricultural products is extremely helpful. The ethanol industry we now know can both benefit farm communities and also the big cities. It has been proven that the use of ethanol can reduce CO emissions by one-third, and that is a tremendous help to the big cities.

The 1990 farm bill has been centered on environmental concerns and WIFE has been very active in this area. We are very concerned about safety on the farm and safety in pesticides, but we are also wanting the very judicial use of any controls or regulations. We need the facts. We need the information. We need to know what the risks are. We need to not have alar scares. We are just petrified at the prospect of our farming operations being ruined by hysteria not based in fact. Alar was the perfect example of it and it should not be allowed to happen.

My friends from the city tell me that we should just raise our crops without chemicals or fertilizer. They have very romantic ideas about how that wheat is just going to burst forth from the ground, and all I keep thinking about is when my father-in-law would tell me about the 10-bushel yields, about when he would shake the edge of the field and it seemed like the whole field moved because it was all mustered. The Canadian problems we have, if you just turn your head 1 minute the Russian thistles that pop out of nowhere.

So far we do not know how to do it without chemicals. When somebody comes up with that idea, we will be glad to use it. But if we till the ground a bunch of times in the summer all we have is dust and it blows across the road and it blows forever. If we do not till the ground the weeds come and you have a terrible weed problem and no moisture to seed your crop. So you have to use good sense in the use of chemicals. I look at the cities and I am just appalled by oil spills, garbage being dumped everywhere, the sewage into the oceans and all those things; and they look at me and they are all concerned about our use of chemicals. Well we have to look in our own backyard and do a good job there, and I think the cities really need to do some improvements too.

We just spent $14,000 to put our underground storage tanks into a cement pit and they were less than 10-years old. There was no sign of leaking, but EPA in its great wisdom says we should do that or else pay a very high insurance bill. If we have to do that sort of thing, the cities really need to clean up their act too.

We like the ACP cost-share program. We especially want a farm bill that gives us a framework whereby the farmer has the opportunity and the responsibility to produce safely and efficiently at a profit to himself and a benefit to the American people.

Thank you very much for coming out.

[The prepared statement of Mrs. Tate appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you, Mrs. Tate, for that excellent statement.

I would say that this has been an excellent panel as well. We came to the Pacific Northwest because I do not think there has been enough Washington coming out this way. This is a very significant agricultural area and one of the most significant trading areas in the country. You put the two together here, and you have a part of the country that has problems that are unique to other parts of the country. One of the reasons we came out here at the request of Congressman Smith was to make sure that when we wrote the 1990 farm bill we not only were interested and concerned about Hard Red winter wheat areas of Kansas or corn areas of Indiana, but also the unique problems of Soft wheat and trade and timber that your area of the country faces as well.

Many of the ideas we have heard today are ideas that have been expressed by other people, but there have been a lot of very unique ideas. So I very much appreciate the opportunity of coming out here to the State of Oregon and to the congressional district of my friend Bob Smith to pick up on some of these concepts.

I think it was Alexander Hamilton who was once having a discussion with the French philosopher Tocqueville about the uniqueness of America and Tocqueville said to Hamilton, "What is different about America? Why is it so special?" Hamilton made these five words that have been very famous. He said to Tocqueville, "Here sir, the people govern."

That is really what it is all about, why we come out here. It does not necessarily produce miracles, and sometimes we cannot get a consensus as easily as we would like, but that is the Democratic system, trying to put this all together. That is what we try to do at these hearings.

So, as chairman of the subcommittee, I just want to say thank you and how much I have appreciated coming out to this State as well as to the district of a very able Member of Congress, Congressman Bob Smith.

Now I would like to call on my colleague from Montana, Mr. Marlenee.

Mr. **Marlenee**. Mr. Witt, I have to congratulate you and the board of directors in establishing the group that you have, to speak creditably and responsibly about pesticides. You made several suggestions about keeping the farm bill free and clear of encumbrances that may tend to sink that particular farm bill, yet you approached this in a fashion of high responsibility.

I will look forward to you, inasmuch as you have made a initiative on this in the State of Oregon, have taken the initiative to establish this committee and come up with some information. I will look forward to you submitting to me or the committee or your Congressman Bob Smith, suggestions as to how we might refer or establish some kind of a creditable source that may speak about situations such as alar, so that we do not get this in the media.

The hysteria in the media where we had a California housewife contact the highway patrol, the highway patrol chased the bus down the interstate so they could get the apple out of the lunch box she had put in for her children, one of her children. That actually happened. It is crazy. It destroys our foreign markets.

The European Common Market is using it on beef; the Japanese are using it on our citrus; the Koreans used it on our citrus; and of course I mentioned the grapefruit that we do not use alar on. We destroyed importers and exporters and producers, to say nothing of the apple industry.

So I congratulate you, and if you can come up with some kind of a spokesman nationally to where we can immediately spike the kind of media that destroys markets and destroys producers, and a lot of it for self, I have trouble with that word. You know, being a farmer I should never have gone into this business. Self-aggrandizement. That is what a lot of it is. We have to conquer that in some fashion.

So congratulations on that.

I would like one final discussion about advanced deficiency payments. Mrs. Tate or some of the people from the States of Washington or Oregon here who have already testified might give us a clue on this.

We are talking about not repaying advanced deficiency payments. Consider the impact of that if you put your congressional delegation or your Representative in the box to where politically he has to try to pass legislation or to force the agencies not to require that advance deficiency payment be repaid. Consider the political implication of the fact that maybe USDA or maybe the rest of the Members of Congress will say what are we doing this advance deficiency payment for? How come these people get it, they don't deserve it, and why don't they repay it because the market shows that they ought to and they should have and they really did not qualify for it?

I am suggesting that there are two sides to this coin on this advanced deficiency payment. You get an advance deficiency payment, you are borrowing against next year's income. If you had gone out and bought an automobile and made a down payment and changed your mind, you would expect the money back. I am not taking a hard line position on it, but think of the position that it places us in trying to represent agriculture in trying to deal with this.

I have heard three or four saying we shouldn't pay the advanced deficiency back. Politically in the State of Montana, I would probably have to take that same position. Responsibly, let's look at it and see what the impact of doing that would be.

I could also visualize, if you will, visualize a "60 Minutes" or a "20/20" or some national program coming out and doing a thing on this and you have full blown media across the United States, and again, we get a bad image with our urban colleagues.

Enough said by this poor farm kid here.

Mrs. TATE. I see an easy way around that. I like what Bob Smith's suggestion was. If you turn that as a credit against next year's payment, then you are just refinancing or borrowing against the next year. All sorts of nations and people do that. So I think it could be easily termed in a way that would be acceptable and I think it would be very beneficial to a lot of farmers and a reasonable thing.

It is pretty hard when you need the cash and you put it in the bank and then you have to give it back in cash.

Mr. MARLENEE. That is the problem with Bob Smith. He comes up with these logical solutions to things.

Mrs. TATE. Actually one of the problems is that the range is getting kind of low. When you get down to $4.10 target price and you have your loan down there so low and that payment has to go back and yet that farmer still really needs that payment. We are not making a big profit at $4.10. Everybody thinks when wheat gets to $5 that we have a big bonanza out here. Well you take $.52 off of it, you take a third for the landlord out of it, and what you have left to pay your expenses still is not giving you a huge profit, so that is another problem with having your very low target price.

Mr. GLICKMAN. Mr. Jontz.

REMARKS OF HON. JIM JONTZ, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Mr. JONTZ. Thank you, Mr. Chairman. I want to take just a minute to apologize to you and my colleagues and those who spoke earlier for my late arrival, and also for my informal appearance. My luggage and I were separated this morning. I hope it is not permanent. [Laughter.]

I feel very fortunate to be here. My only regret is that I did not hear the earlier panels. But I do want to thank this panel for their statements and I plan to read the written testimony from the other panels. I might also add that having arrived in Pendleton a little late I am not in any big rush to leave, and if there are people who want to try to educate anybody from the Corn Belt after the hearing, I would be glad to spend some time talking with anybody who has something on their mind.

I want also to take just 1 minute to thank Congressman Smith for the hospitality. Bob Smith and I are not of the same political affiliation but represent the same sort of commodity, producers, but I certainly enjoy working with him on the Agriculture Committee. I am very pleased to be able to attend this hearing this morning.

Let me just put one question to any of the members of the panel. The producers in Indiana are very interested in some flexibility in their base, and a number of them would like to take a portion of their corn base and plant some wheat on it. The further down the target price goes for corn the more interested they will be in that, I might add.

Should we allow them to do that without losing their corn base in the next farm bill?

Mrs. TATE. Definitely not. I don't think so. In WIFE our position is that if you have to take the ground out, it should be out of all commodities unless there is some experimental thing or something that is really needed. If we needed oats, you could be allowed to go into that. But we would much rather see it in grass or a set-aside of some sort or just out of production. Because in the last few years we have had surpluses in almost everything.

Mr. JONTZ. So you would favor set-asides instead of base flexibility as a general matter?

Mrs. TATE. Right. It is tougher on the farmer and it makes for a need for higher Government payments, but it really cuts down on producing a surplus in another commodity.

Mr. GLICKMAN. If the gentleman will yield. One of the problems that we have learned here which you and I do not have as much in our respective district is that there is not a lot of flexibility in terms of crop production here. Crop rotation is not a winner economically. So if we say that you can use your base for anything, they don't have anything to use their base for for all practical purposes except for wheat or barley, and so it is tougher for them than it is for us.

Mr. JONTZ. I appreciate the gentleman's comments. Obviously as we travel around the country, and I was very fortunate that the chairman of the subcommittee held a hearing in my district in Indiana 1 month or so ago. You hear different perspectives on the legislation or proposed legislation based on what the situation of those producers is. I think it is important that I understand what the position of wheat producers is because what may appear to be a good solution to our problems from the standpoint of somebody in Indiana producing corn, may not be such a good solution from the standpoint of somebody in Washington or Oregon producing wheat.

Does anybody else want to comment on that question?

Mr. LEAR. Larry Lear from the Oregon Farm Bureau. I don't think you were here when I introduced myself and my organization. The Oregon Farm Bureau is the largest farm organization in the State of Oregon. However, we have very little program crop members. Most of the wheat growers belong to the league and farm bureau is largely represented by cattlemen, hay growers, seed growers, the dairy industry.

However, since a 1985 farm bill came into effect a lot of people found out that they are players that have never had a program crop because of swampbuster and erosion problems and what not.

Because of that our State organization has kind of taken a different approach to farm programs and they are actually becoming aware of them. In our State about half of the wheat that is produced is produced on the other side of the mountains which is somewhat different from the summer fallow problems we are discussing here. They ask the same question that your corn growers do because they can grow grass, they can grow corn, they can grow produce on acres, and some of them are dedicated to wheat.

We have a position on that in the organization and I will take the opportunity to read it. The issue of permitting production of nonprogram crops or crop acreage base has been raised, and our farm bureau voting delegation which I participated in in the last 5 or 6 years, and in our meetings with the board of directors. Our members currently favor a limited amount of flexibility to prevent shifting of up to 10 percent of the farm acreage base from one program crop to another with the possibility of including oil seeds eligible for the shift. That would be a soybean area, although we are not a soybean producer.

The nonprogram crop producers who make up a large segment of our members, as I alluded to before, have convinced our leaders, and we have walked a narrow line on this, to oppose allowing production of nonprogram cuts on base acreage.

Mr. Jontz. Let me ask a second and final question if I could. Another interest of my producers in Indiana is proven yields. A number of corn producers in the country have established ASCS yields which are quite out of date and they have not been able to update those yields since 1986, and they have been improving their means of production and their yields are substantially above what their program yields are and they would like to be able to take information into ASC and get their yields updated. Is this a concern of wheat producers?

Mr. Lear. Yes.

Mr. Jontz. Thank you very much for your testimony again.

Mr. Glickman. Mr. Smith.

Mr. Smith. Thank you, Mr. Chairman.

Only one point, Dick, with respect to your testimony. The Congress indeed decided to write a farm bill prior to the time that the last Round of the GATT would be completed in 1990 so we are not going to allow our negotiators to detail and predict or write the 1990 farm bill.

However, we surely do have the flexibility to amend that farm bill to reflect what may become a worldwide kind of an agreement which we would want to participate in. But the chairman has decided with the agreement of the Secretary of Agriculture and the administration, that a farm bill be written before the end of the GATT. That will give us maximum flexibility. The question about whether or not we can vote on it separately is a fair one that I do not know the answer to that. I am not sure we can vote on it separately.

But let me take this opportunity to welcome Mr. Jim Jontz from Indiana who is a very productive member of the Agriculture Committee, and to express my thanks to him. To point out to him that his clothing was lost in the State of Washington, not in the State of Oregon. [Laughter.]

There are those who may be responsible for that here. Let them step forward if that is the case.

Mr. GLICKMAN. We have the two Washington wheat growers back there. [Laughter.]

Mr. SCHWERIN. You need to specify which side of the mountain. [Laughter.]

Mr. JONTZ. I may be seeing more of Washington before I leave the Northwest to catch up with my luggage.

Mr. SMITH. In addition, I express my thanks again to my friend from Montana, Ron Marlenee, who has contributed greatly to the agricultural program in America and is known for his expertise. And especially to our chairman, Dan Glickman, who has come as far almost as you can come in this country, ocean to ocean almost, to be with us here in Oregon and in the Pacific Northwest.

Let me say from my point of view that I think this has been a very, very productive meeting. You have taken your task to heart. You came here prepared. I think your statements have been concise and to the point. I must say that as I discussed with Mr. Reeder, he even impressed me and I know him, which is the highest compliment you can pay to anybody I guess. [Laughter.]

But it has been a very good morning. We are, as the chairman said, moving on up to Montana and back across the country.

So I think we are much better prepared now to begin to write a 1990 farm bill. I have asked and Mr. Reeder has agreed, that there will be a semiformal group of people who I can stay in touch with, as I have especially with Senator Mike Thorne in the preparation of the 1985 farm bill, that can consult with me as these issues come along, and I will be in touch with you. We consulted sometimes weekly and even more than that during the preparation of the bill. I want to continue to do that because it is important that I have your counsel and your judgment if I am going to make proper decisions for you. I look forward to that time.

And again, Mr. Chairman, don't wait so long to come back to Oregon. Thank you for being here.

Mr. GLICKMAN. Thank you.

I would say that it is 11:30. I know there have been other people who want to speak, but we must be out of here by 12 o'clock, up in the air, because we need to get to Billings by a certain time this afternoon.

So I would make the point that anybody who has additional comments, we will accept those for the record. Even if they are handwritten comments. They need not be typed. They will be made part of the record. So anybody here who wants to say anything about the farm programs or any other aspects of Government policy, just write it down. The easiest way to do it is send it either to the House Agriculture Committee, Washington, DC, it will get there. Or the other option is to get it to Congressman Smith's office and he can take care of making sure that they are part of the record. That is the best way to do it.

In addition, some of the specifics we heard today, if you have any other ideas about how specific program implementation is either unfair or ought to be changed, those are the kinds of things we ought to know about as we write this new farm bill.

Mr. **Marlenee**. I think we would be remiss if we did not mention that staff people do a tremendous job for us and for you in Washington, DC. Bob's staff is excellent. Greg here has handled the job that generally requires three people when we do these committee hearings. We had to leave a couple or three of them behind. My staff member, Cliff Humphrey, he did the advance work. Greg was here today and last night, got up at 5 a.m this morning. And of course Wesley Grilley met us at the airport and we thank him for that. And Wes, thanks for all the work you have done on that.

So on behalf of all the committee members here, these are the people that really fuel the ship and keep the fuel in it and keep it going.

Mr. **Glickman**. As usual, Mr. Marlenee is eloquent, especially when he praises staff.

The hearing is adjourned.

Thank you all very much.

[Whereupon, at 11:30 a.m. the hearing was adjourned, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

OREGON WHEAT
OREGON WHEAT GROWERS LEAGUE
305 S.W. 10th • P.O. Box 400
Pendleton, Oregon 97801
Phone (503) 276-7330 (24 hrs.)

TESTIMONY OF THE OREGON WHEAT GROWERS LEAGUE PRESENTED TO THE WHEAT, FEED GRAINS AND SOYBEANS SUBCOMMITTEE OF THE HOUSE AGRICULTURAL COMMITTEE

Pendleton, Oregon
August 29, 1989

My name is Clinton B. Reeder. I am the current president of the Oregon Wheat Growers League (OWGL). I am a full time farmer. My wife, son and I operate a wheat and barley farm of about 2,000 acres near Pendleton, Oregon.

We farm in a "dry area" that relies heavily upon "summerfallow" rotation. "Summerfallow" is a practice of leaving the land fallow, without crop, usually each second year, in order to conserve moisture. This practice permits us to effectively use the rainfall from two years to raise one crop. While most of our land is relatively productive, it cannot generally be economically cropped each year due to the lack of adequate annual rainfall.

The OWGL represents the legislative and regulatory interests of Oregon wheat farmers. Our mailing list currently includes about 14,000 owners and operators of wheat land, primarily living in Oregon but also includes owners and operators who reside in other states, but who have wheat interests in Oregon.

I very much appreciate this opportunity to present the views of the OWGL concerning national agricultural policies, and comment upon the 1990 farm related legislation.

"FOOD SECURITY" – A REASONABLE FOCUS: We support a national "food security" orientation for the 1990 farm related legislation. However, we strongly oppose legislation that essentially "takes away our farms" and makes them simply instruments for well intentioned, but naive and whimsical public intervention.

FARMERS NEED -- THE "FREEDOM TO FARM": The OWGL strongly supports provisions in national farm policy that permit the individual farmer the maximum reasonable flexibility to respond to the day by day, season by season, year by year fluctuations in the weather, markets and general circumstances in which we operate. The current farm legislation has led to a never ending series of changes in definitions and rules, that place farmers in a constant struggle to make sure they have a "legitimate" farm management structure that "fits" the farm [illegible] requirement, without undue financial strain.

We need to be more able to respond to the "message" from the market, to be able to plan crops and practices in response to prices. Currently, we first must take account of the economics of the farm programs, and other concerns become secondary.

However, we are not in support of an unbridled return to "free markets", unless there is assurance that government will not continue its periodic major interventions of a day by day nature. As long as government continues to "manage" our markets so precisely, and so frequently, we must have assurance that our particular commodity will not be inundated by new production. If the price of our commodity becomes disastrous due to government interventions, we must have a reasonable safety net to keep us operational in times of government caused major financial declines.

We operate technically complex businesses, in constant interaction with the everchanging forces of nature, each year adapting to field environments that may never have existed before. It is in our opinion very definitely not in the best public interest to have agriculture policy that too dramatically puts those who have little or no experience with farms in charge of mandating how we will operate. We do not have "factory" environments, that can be turned on and off at will, but rather have businesses that for the most part must plan and time operations in direct response to events of nature.

We strongly believe it is in the food security interests of the nation, of every American, to have a relatively stable, relatively sound, economically viable agriculture. It is in the best public interest to have farmers who continue as they have in the past to be responsive to ecological concerns, and to manage and develop the natural resources for the general welfare not only for today but also for "tomorrow".

LET FARMERS DO THE FARMING III, WHILE GOVERNMENT PROVIDES A GENERAL SYSTEM TO PROMOTE BOTH DEVELOPMENT AND PROTECTION OF RESOURCES: Congress should provide a general policy framework within which the agencies can provide technically rational "standards" that agricultural operations should strive to meet, but only where necessary to protect the long term public interest.

For example, in the area of conservation, if the public need is to protect the land from erosion, then establish reasonable soil loss standards, but do not mandate the specific machinery, field cultivation methods, etc.

Emphasize education, demonstration and research, not regulation and penalties. Use positive incentives, not punishments.

Utilize approaches that build the trust and confidence of farmers in the role of government, rather than approaches that build resentment and hostility towards Congress and the agencies.

In conservation for example, make sure that an ongoing research program is supported that constantly investigates new ways to protect the land from erosion, and then make sure the educational efforts of the agencies are adequately supported to get the research results into the hands of farmers.

For practices that are slower to make reasonable economic returns to farmers, such as terracing, provide cost sharing incentives to farmers willing to undertake the revised practices. Cost sharing programs reduce the financial risk associated with making changes in how the land is managed, and the technical assistance provided with the cost sharing programs accelerates the effective adoption rate.

The long-standing cost sharing programs of the USDA Soil Conservation Service (SCS) have generated significant results, and have for years elicited the positive support of farmers. This program concept should be expanded, if the public is truly serious about wanting to accelerate conservation practice adoption.

STABILITY IN MANDATES -- A MUST FOR A PRODUCTIVE AGRICULTURE: Our businesses are generally low margin from year to year, and it takes many years to generate the cash flow to replace equipment and make major adjustments in our operating plans. It is very destructive to our businesses to have the operating guidelines in farm policy changing too dramatically from month to month, and year to year. Furthermore, the uncertainty concerning when a next major government initiated and controlled change might occur is having an adverse impact upon our financing operations and in general places a random uncertainty in our operations that is very troublesome.

No longer can we study the market statistics, survey world demand conditions and have any reasonable idea of price trends. Periodic government actions and interventions in the market have been unforeseen in many instances, come at random times, and can have unexpected major impacts upon our operations at any time. This is our current greatest risk, and our current greatest concern -- the stroke of a pen somewhere in a government office has become our greatest risk, having replaced the weather as our greatest unknown factor.

GREATEST NEED -- A FORWARD LOOKING, LONG TERM AGRICULTURAL POLICY: Agriculture does not generally generate a high rate of return, meaning that it takes many years to make wholesale changes in an operation. Such efforts require planning a sequence of activity that moves cumulatively year by year towards the longer term objectives. It is very difficult to sustain a viable farm operation when the basic agricultural policy changes too dramatically and too often.

Hence, we support a purposeful effort to develop an overall agricultural policy that has at least basic elements that can be counted upon for a significant period of time.

The 1985 farm bill, we believe has many elements that would serve us well over an extended time period, with some "fine-tuning" and simplification. We now have as a nation, through the 1985 farm bill and related trade legislation, the capacity to be either significantly "market oriented", or almost completely "governmental marketing", at the stroke of a pen or at the discretion of one administrator. We can compete internationally with great vigor, and can protect market shares as factors such as currency exchange rates change.

We should therefore, be very cautious about developing an entirely new legislative package for agriculture in 1990. We support moving from the 1985 farm bill into the 1990 program, without wholesale "major remodelling" of basic policy provisions.

INTERNATIONAL TRADE -- STAYING COMPETITIVE IS THE ONLY ANSWER:

International Trade and Budget Exposure: We are a nation that relies very heavily upon the export of farm production to protect our foreign trade balance. In Oregon, we are dependent almost entirely upon the foreign market for the sale of our wheat.

It is our thinking that the primary means of keeping the budgetary cost of agricultural programs low is to assure this nation will maintain strong, aggressive international trade attitude and practices. If we commit ourselves to maintaining only a reasonable strategic reserve of grain, and then market each crop in excess of that reserve every year, then we will avoid the accumulation of excess stocks that have the depressing impact upon not only our own farm prices but the farm prices around the world.

Also, if we maintain a strong stocks clearing market program year by year, the rest of the world will have no doubts about our commitment to serving the food needs of the international market.

However, if the US intends to continue to use food stocks as a means of also manipulating economies and national debt repayment capacities around the world, then we must maintain a safety net program for our own nation's farmers as we try to survive the nonmarket actions of the federal government that impact our commodity prices so greatly from time to time.

We support devoting attention to means of strengthening our markets and making sure we provide the commodity quality in demand around the world, which will reduce the likely budget cost of U.S. farm programs, rather than spending our time trying to "cut back", as a budget reduction measure.

General Agreement on Trade and Tariffs (GATT): Our farmers generally are hopeful that the GATT talks will lead to an agreement that will help stabilize and enhance the international market for agricultural commodities. They are, on the other hand, a bit fearful that agricultural commodities will be traded off for nonagricultural gains, leaving farmers disadvantaged.

There is relatively little confidence that significant short term gains will be achieved in the current GATT round, leaving a bit of insecurity as to how agriculture will be managed by the government as the U.S. continues to pursue its preferences relative to GATT over the coming years.

We do support, in general, the market oriented position of the U.S. in the talks, and would hope that our negotiators understand that truly free markets also do not have frequent intervention by governments, either for economic or political purposes.

Cargo Preference: The requirement that U.S. commodities under certain programs must be shipped by US ships works to the disadvantage of West Coast ports at times. We support implementation of a provision that would permit West Coast shippers to obtain waiver from cargo preference rules, anytime a qualifying ship is not readily available.

Export Enhancement Program (EEP): We strongly support the continuation of EEP, if not in active use, then at least as a potential option to be used when and if necessary to protect our trade interests and market shares. In our opinion, without EEP the US would still be carrying considerably greater surplus stocks, and while we would likely for other reasons have strengthened our export volume, we do not believe that we would have been able to generate such a dramatic recovery in the foreign grain trade without the EEP program.

FLEXIBLE CROP BASES: As mentioned above, we are dependent upon rainfall that comes all too seldom, severely limiting our cropping alternatives from year to year. We are therefore, not supportive of any crop base flexibility programs that would likely result in other areas shifting wholesale into the production of wheat, while we have little alternative to shift at any time into the commodities produced elsewhere.

However, we think that if agriculture is to become more market sensitive, then there must be some degree of crop base flexibility provided. In our opinion, even though drier areas like ours are apt to experience the greater disadvantage, all commodities must accept at least to some extent the fact that greater flexibility must be provided to shift from crop to crop from year to year.

It seems appropriate to shift toward greater flexibility, but do so with a good degree of caution. This would provide time to permit a reasonable assessment of the degree to which farmers in various area of the nation will respond to the opportunity, and to assess the impact upon supply and economics of the various commodities as the crop acreage shifting occurs.

Farmer acceptance of more such flexibility, however, will hinge upon how crop bases are protected, especially for the dry land crops. If we had the flexibility to shift to other crops from time to time, but without losing our wheat base in the process, then we would much more seriously consider other alternatives. As long as wheat is our generally more economical option, and as long as we are so dependent upon crops that can thrive on lower moisture, then we will not generally jeopardize our wheat base by raising other crops.

Several alternatives seem to be feasible, such as:

(1) permit a farmer to shift "permanently" a certain proportion of his base in one crop to another crop;

(2) permit farmers to plant a proportion of one or more crop base to an alternate crop, without jeopardizing the base for the displaced crop;

(3) permit a farmer the option of building new base by modifying the acres planted to any given crop;

(4) permit a farmer to reduce his plantings in any given year, without having the reduced acreage cause his crop base for that crop to be reduced. (Currently, if a farmer plants none of a crop with a base, he does not jeopardize that base; however, if he plants less than the base, then the actual planted acres become the "history" and therefore reduce the base for that crop)

We support particularly the second and fourth options listed.

CONSERVATION COMPLIANCE:

Potential Keg of Political Dynamite: Conservation compliance is a potential keg of dynamite! Conservation plans are being signed, with the farmer already not intending to follow all the "agreed upon" features. Farmers are being told by the agency personnel that if the plan causes problems, "come in to the office and we will change it". The mandates are resented, as well as the idea that if they do not work, they can be "simply changed in a government office". "If that kind of flexibility is available in the administration of the plans", farmers ask, "then why are the plans not written with that flexibility written into the plans?"

There is considerable distrust of the conservation plans, and the conservation planning process as it now appears it will function over the coming years.

Farmers are not generally happy with the mandated practices, some of which are simply absurd. It makes absolutely no good sense in a dry land area to mandate a seeding date, for example, when there is no way of knowing in advance whether there will be moisture enough at the time of seeding.

Should any one county in a state have very many appeals of these plans when enforcement actions take place, then the state appeals procedures will very likely break down completely.

Farmers tell me frequently that they are most likely to avoid participation in future federal farm programs if the environmental requirements become too restrictive and costly to manage. Farmers, we must all remember, are both businessmen and managers of the environment. When environmental mandates become so restrictive that the business cannot reasonable generate adequate funds from year to year, then the rebellion will be massive and politically explosive.

There is the potential for a well financed agricultural backlash to be massive with the 1990 farm legislation. To date, farmers as a body have not generally even become well informed about the current "environmental agenda". When the environmental requirements become pervasive, and mandated, then every landowner and farm operator will be alerted to the extent of government intervention in their business affairs, and will likely be responsive to requests for "political action" funds in a manner not historically seen.

Farmers Favor Increased Conservation Effort -- but resist naive "assistance": Farmers rely upon the land to generate their income, and to sustain their families over multiple generations. No farmer can "rape the land" and survive very long. Most of us have witnessed the almost immediate devastation when a farm neighbor who has tried to "push" the land too far too fast. No one in this part of the country can be abusive to the land and survive for more than two to six years.

What farmers object to, is the mandated practices that do not "fit" their soil and/or climatic conditions. For many farmers, it is both very aggravating and humiliating to be told by a recent college graduate or other inexperienced employee of a government agency how to farm, when to plant, which machinery to use, when the agency person has no experience, has not been on your farm, and has nothing at risk in the consequences of the mandated practices.

Local Control is Mandatory: Fortunately for many of us, we have local government offices that are trying diligently to make the conservation planning work effectively. So long as there is major local flexibility in the conservation planning and administration of the plans, it appears there will be considerable positive benefit from the programs, and in general no widespread rebellion by farmers.

Farming Methods: We support legislation and regulation that establishes standards for our operations, where deemed necessary, but strongly prefer that we not be asked to use specifically defined methods to meet the standards. Technology constantly changes; economic conditions are ever changing; weather and crop conditions make fluctuations in our cash flow severe from time to time; and most importantly, the research base upon which mandated methodology is based is almost never adequately comprehensive to apply to all regions of the nation, let alone account for the variability in soils, slopes, temperatures, rainfall, etc. in the micro-environments of any particular location.

Moreover, given standards that must be met, farmers have demonstrated over the generations that they can generate new ways of conducting their agronomic practices at a tremendous rate, if left to their creativity and permitted to develop alternatives that both meet the standards and their pocketbooks. Most progressive farmers are constantly experimenting with methods that protect and develop the soil; no technical manual mandating practices will ever be able to keep up with the rate of development of better methods by these more progressive farmers.

At most, a technical guide should "suggest" farming methods , known in some or most conditions to have a beneficial result, but leave the option open to a farmer to use other methods that can meet the standard. Farmers should also be provided a great deal of latitude to experiment with new practices, even though they might not meet standard in the early stages of development. Such development flexibility will provide for the greatest rate of new technology development.

Conservation Reserve Program (CRP): This program has been a salvation for several farmers, permitting some to reorganize their operations, permitting others to retire early, and in general provided an increased average annual income to the participants. It has had a devastating negative impact upon our rural communities, where large blocks of land were placed in the CRP.

There is the potential for further adverse economic impact from CRP if toward the end of the contracts some provision is not made for "transition" practices. In Oregon, for example, there is a very strong state-wide land use planning and zoning program. If the CRP contracts expire and there are few, if any, permitted nonfarming uses for the CRP land due to local zoning restrictions, and the conservation requirements are too costly to put the land back into crops, then a large share of the CRP land is likely going to be assessed for purposes of property taxes as "grazing land" rather than crop land. Grazing land will have a lesser assessed value, thereby reducing the property tax valuation. This will put a significantly greater tax burden upon the rest of the property owners in our rural counties, and significantly increase the resistance to property taxes which are the funding base for most of our county government services and schools. This problem will be even further complicated if the CRP land cannot be grazed upon contract expiration.

While we understand there are complications, it seems wise to consider providing leasing the grazing rights on CRP in the final two or three years of the contracts, or permitting the CRP farmer to begin building a grazing herd personally so there is a minimum adverse personal and community-wide economic impact upon CRP contract expiration.

"Flexible CRP": We support development of a "flexible CRP-type" program. For example, if the public interest is best served by increasing the acres of "soil enhancing plantings", then a program that permitted planting soil enhancing crops on a proportion of the Acreage Reserve Program (ARP) acres might be a possibility. If the crop so planted could be harvested, then there would not need to be a government payment as incentive to participate.This would also increase the degree to which agriculture moved back toward a market incentive planting program.

In our area, participation in such a program would be relatively limited due to the fact that the ARP acres are usually designated on our summerfallow acres. Planting any crop, soil enhancing or otherwise, would use up moisture necessary for our next wheat crop. However, for many of us this type program would provide us an additional option that would be economically feasible in some years, and would be viable for a few on an annual basis.

Another flexible CRP option would be to have contracts with varying number of years available. There are crops, some of the grasses in particular in this area, that are viable alternative crop options. However, if they are planted for too long a time, they become sod-bound and do not produce adequately.

If the planted CRP acres could be moved from place to place on the farm from time to time, and if the contracts could have three to six year terms, possibly renewable, then the CRP acreage desired by the public could be provided with greater long term economic advantage to the farmer and likely at less cost to the government. The least cost program of this type would, of course, provide that a farmer could harvest part or all of the acreage enrolled in such a program.

Mandated Crop Rotations: Some of our farmers currently voice some concern that due to pressure from environmentalists, we will be mandated to use "crop rotations" to "enhance the soil". Most of us strive year by year to find some such alternative that is reasonably economical, and our fathers and grandfathers have done likewise. However, moisture is the problem -- any planting that uses much moisture, must generate a benefit that is very significant if one is to gamble on the usually adverse consequences of the moisture loss.

Another complication is the preparation of seedbeds following a "conservation planting". In relatively dry climates, the residue from a previous crop just"fluffs" under dry conditions, and does not work into the soil well nor break down in reasonable time. Seeds planted into these dry, high residue seedbeds do not generally do well.

Crop rotations are, for us in the dry land areas, very expensive and involve very high risk. We support policy that provides purposeful ongoing research and education into viable arid land alternatives, hopefully including positive incentives to encourage farmers to continue their search for viable alternatives.

ENVIRONMENTAL ISSUES:

Groundwater Protection: We support reasonable standards for protection of groundwater. However, **regulation that would prohibit consideration of benefits relative to costs and risks is totally unacceptable**. If such a standard were applied to pharmaceutical products, most medications for more pervasive disorders would be eliminated, as would the more common "medicines" like aspirin, birth control pills, etc.

"Best Management Practices": As mentioned above, we are opposed to mandated "best management practices", whether related to water quality or to conservation in general. We much prefer "suggested practices", with the flexibility to develop other practices that satisfy the specified water quality protection standards.

If mandated practices become the norm, and there is continued inadequate commitment of research for alternative methods, then we will increasingly lose our ability to remain competitive in farming, as individuals and as a nation.

"Zero Tolerances": We are very much concerned that the health of the nation be protected, but are very much opposed to water quality standards that are essentially "Zero" exposure. With the measurement technology available today, I understand there is no know element that is not detectable in water. If such is indeed the case, then every element that is potentially a health hazard to mankind, in any quantity whatsoever, large or small, would be subject to nonuse regulations.

We believe such a standard to be an over reaction, relative to the actual threat to health, and that such a standard has not in any way been documented by research as being necessary to the protection of health. We will aggressively oppose any such standard, until there is credible research evidence to the contrary.

Wetlands / Wildlife: We agree with the general notion that a reasonable acreage of wetlands should be protected. However, we also believe that wetlands regulations are a "sleeping giant" as far as our farms are concerned.

The conservation programs that are being increasingly mandated, are not simply "preserving" land and water in any current state, but are in reality creating a new environment that has never before existed. New terracing leads to water seeps where none previously existed, or increase the water flow. Silt dams do likewise.

Any land structure, such as terraces, that has the effect of slowing the flow of water from an area, also extends the time period over which field drainage ditches carry moving water. Some weed control chemicals that can be used in dry drainages cannot be used near running water, thus severely complicating weed control for farmers -- and public agencies as well.

Where there is more water, there will in a relatively short time also be more wildlife. While we support reasonable measures to enhance wildlife habitat, wildlife brings with it many complications.

Digging rodents put holes in road embankments, causing them to erode away into fields. Deer moving through weed infested waterways, carry weed seed out into fields. Hunters tear down fences, and put tire tracks in fields which then serve to carry water and increase erosion.

Hence, we support measures that while preserving wetlands and providing for wildlife, do not impose unreasonable costs upon farmers, which in essence become discriminatory "public land management taxes" on private citizens, for the public good.

I also suggest that the best public interest would be served if flexibility were provided to the landowner. For example, farmers might contract to keep a certain acreage of their farm in grassed waterways, ponds, etc. -- but be able to move the grassed acreage or other practice from place to place, as various environmental and economic factors and other conditions warrant a change.

Environmental Enhancement Deeds. I have suggested, rather tongue in cheek, that if the environmental regulations such as wetland regulations become too pervasive and severely cost impacting upon farmers, that farmers should have the option (at their discretion) to deed by gift such land in their ownership to either a state or federal agency, or to an environmental group which then would have to maintain that land to the same standard as expected of the farm landowner and/or farm operator.

The more I think about it, the better I like the idea -- it would, I believe provide more public lands as well as serve to moderate the cost consequences of such regulations upon individual landowners, whether private or public.

Same Environmental Protection Requirements for Agriculture and Urban Areas: The urban areas at times seem to think that only agriculture "lives in the environment". It is mandatory that as we consider groundwater quality, for example, that similar standards apply to urban areas that apply to agriculture. Lawns and parks are potentially high contributors to groundwater nitrate problems, especially because most of these areas are heavily irrigated.

Chemical use is high in urban areas, especially on lawns and gardens, and on public space areas such as parks and golf courses. As farmers, we are required to take courses in calibration of chemical application equipment, to know the proper means of disposal of containers, to know how much to irrigate following application. These requirement generally do not apply to the urban residents, even though in many instances an urban chemical user will use a much greater amount of the material per acre than will a farmer.

Street stormwater in many urban areas is directed into dry wells, straight into unfiltered, unprotected holes in the ground. Stormwater carries nitrogen leached from the air in rainfall, nitrate and chemical runoff from lawns and parks, acids from auto emissions, etc. These are more direct and pervasive adverse environmental problems than many farms will ever have.

Septic tanks are a major contributor to groundwater nitrates, yet in many instances when there is a nitrate problem in groundwater, the nearby town is overlooked while the farm use of fertilizer gets all the blame.

Urban areas are part of the environment, also. Consequently, if some protection guideline is essential to agricultural areas, then the same requirement should generally apply to urban areas.

ENVIRONMENTAL POLICIES IMPOSE CATASTROPHIC INDIVIDUAL LIABILITY: Underground storage tanks, hazardous site clean-up standards, etc. are placing a great and unmanageable personal liability burden upon the owners and managers of our farms and other natural resources. The cost of environmental protection compliance is increasingly high, as is the cost of clean-up once a problem has occurred. The associated risks are so high, and mounting, that public policy will increasingly have the effect of severely curtailing economic activity in many instances.

As a nation, we must address the issue of whether it is really in all instances the obligation of an individual to pay the costs associated with environmental protection, or if it is not at least a shared obligation of the individual and the general public. We must address the notion of whether or not it is reasonable, and in the best public interest, to have a policy that in effect mandates that every individual who farms face such a catastrophic liability exposure day by day.

There are certainly instances of carelessness where the individual should likely be expected to pay the full cost of environmental degradation, at least to the extent possible. However, there are many other instances, quite beyond the control of the individual, where farmers cannot personally cover the potential costs, nor can they acquire any kind of insurance to protect against the risk exposure.

We must as we create policy with such catastrophic liability exposures, consider whether there should not also be some kind of associated publicly provided insurance program and/or upper limit upon the exposure. With the exposure so unlimited and uncertain, private insurance is unlikely to be provided.

Legislated limits to financial exposure for individuals would likely enhance considerably the development of such insurance by private insurance providers.

If the public decides it is simply a matter of individual businessmen deciding to protect the environment, then the public will have to accept the consequences of individual choices as individual businesses seek to manage our natural resources so as to reduce their risk exposure. In many cases, this will require a reduction in economic activity.

If other compliance costs relative to the environment, such as water quality protection along streams is too high, and the individual must pay the full cost, then there will also be public consequences to pay as individuals who own the streambanks seek other less costly options.

We encourage the development of policy that moderates the personal liability exposure, especially where events are accidental, unforeseen and do not involve any gross negligence on the part of an individual. It is a public issue, a public concern, with great public benefit. Individuals should not be saddled with the entire cost exposure.

MARKETING:

Farmer Owned Reserves (FOR): We support reserve stocks being held at the farm level to the extent reasonable, with continued options to rotate the stocks from time to time to maintain quality. The cost of holding the reserve stocks is lowest on the farms, and would reduce the budget exposure for the program.

We also favor alternatives that take stocks out of FOR via the market route, rather than forfeiture to the government. The stocks in government hands are too unpredictable as to market impact. The uncertainty as to government "sale" dates, terms and procedures is destabilizing to the markets.

Grain Quality Premiums: We believe the U.S. should generally market high quality products, and should maintain a quality assurance program that enhances our ability to compete effectively in the international markets. However, we do not support an imposed system of premiums and grades. Such seems to be quite contrary to the concept of free markets.

We do support continued strengthening of our system of grades and standards for grain, however, to more accurately reflect the end use needs of foreign buyers. If our grades and standards are appropriate to the uses of the commodities in the marketplace, then the market will take care of any need for premiums and discounts.

PROGRAM PARTICIPATION REQUIREMENTS: Farmers are not in general very happy with the ever changing rules for compliance with the farm programs. It is costly to alter the structure of any business, and the incentive has been very intense to do so in recent years under the 1985 farm bill. If the economic incentive is very great for any kind of option, then any reasonable businessman will find a legitimate reason to move in that direction -- usually at the insistence of his banker. Hence, the current situation would be very much improved if the

1990 farm legislation would simplify and stabilize the requirements for compliance.

Also, the participation requirements need to take into account the great need in agriculture to provide for the transfer of assets to the next generation. For example, it is common practice for the older generation to transfer deed to land to the younger generation, but retain certain income rights to the land as part (or all) of their retirement income program. Current requirements severely restrict farmers from such generational transfer of land, due to the requirement that the income distribution must exactly match the contribution of assets and labor to the operation.

Every Farm, and Every Participant, Considered on Their Own Merits: We do not support offsetting compliance, in either general farm programs or conservation programs.

In our region, the proportion of farms that have leased land is very high. The typical farm has more than one formal "farm number" due to different ownerships of various land parcels, all farmed by one operator. Also, we have many farms with land that is distributed over a rather wide geographic area, meaning that one farm might be in much different micro-environment than another, making program participation not economical on one farm, but economical on another.

A great fear of many farmers, relative to both farm income programs and conservation compliance, is the possibility that participation of one farm will be jeopardized by circumstances or persons involved on another farm, often beyond the control of the individual farmer (or farmland owner, who is not an operator).

At times, one land owner in a multi-owner operation will choose not, for some reason, to comply with all requirements. If the operator, or other owners of that farm are foreclosed from participation by the act of another,then overall participation is reduced as is achievement of program objectives, with often adverse economic consequences to individuals, much beyond their control.

If circumstances on one farm preclude it from complying with requirements, and that farm in turn jeopardizes participation of another farm, then again overall participation is reduced as is achievement of program objectives, with often adverse economic consequences to individuals, much beyond their control.

The greatest market orientation, the greatest flexibility in managing the farm business, and the least disruption to lease arrangements and financing is provided by permitting each person and each farm to comply with program requirements independent of another.

We strongly support such policy flexibility.

AGRICULTURAL RESEARCH: We think it is mandatory that Congress and the public understand better the pervasive need to maintain a strong agricultural research program. Plant varieties obsolesce, relative to their capacity to survive the continued onslaught of insects and weeds that mutate and adapt to the resistances of the plants. Plant resistance to insects and diseases cannot be maintained for more than a limited number of years.

Mankind can never "finish the task" of agricultural research, and then move on to other priorities. Nature is constantly evolving birds, plants, animals and insects that never existed before with the same characteristics. So long as people continue to eat, there must be ongoing research concerning the cultural practices and species of plants and animals, and the management practices related thereto.

Therefore, we strongly support maintaining and improving the current agricultural research and related education programs of the federal government and the related state programs.

Private vs Public Plant Varieties: There are many advantages to private development of crop varieties, especially budgetary. Permitting the patenting of varieties has generated significant advances in some crops. However, for others such as wheat, the private research effort has not to date generated the anticipated benefits. We strongly support continued plant variety research relative to wheat, and think it is not in the best public interest to ever rely wholly upon private research for such development. Too many of the costs and research demands are of a very long term nature, and private industry cannot sustain viably such efforts without public assistance.

"Basic" vs "Applied" Research in Agriculture: We are very concerned with the recent movement of much of the agricultural research effort toward "basic" more "pure science" projects. While the long term payoff from these efforts may be very significant, we must never lose sight of the fact that in the long run we are all dead! We in agriculture must survive viably the short run, or the long term "miracles" will be of little benefit.

One of the greatest single socio-economic technologies the world has ever witnessed has been the "Land Grant College System", with its combination of applied research coupled with an extensive educational effort to move the research benefits into early adoption on the farm. The entire world has moved to copy our system in one manner or another, and while we seem at times to be "dismantling" the system here, the rest of the world increasing benefits from its increased effectiveness in their own nations.

Much of the current basic research in the various states involves little effort with any immediate likelihood of application. Hence, (1) we support programs that "encourage" basic research to at least be accomplished in a manner that has at least some reasonable likelihood of early "local" adaptation; (2) we support maintaining a productive balance between basic and applied research, so both the needs of today and tomorrow are addressed adequately; and (3) we support maintaining the agricultural scientists in "departments of agriculture" with their more applied orientation, rather than just having "pure scientists", who may or may not have any identification with the needs of agriculture.

If we try to have pure scientists only, then we will lose our great capacity to apply so effectively the pure science to the particular needs of providing for the food security of our nation.

Bio-Technology in Agriculture: I have a long list of biases and concerns, but will only say at this point that, in my opinion, the US must take care that the new methods are not all patented by foreign nations, placing us subject to costly royalties and the potential blackmail of availability.

Also, it is my opinion that while bio-tech will address many concerns in a very significant, and often "miraculous" manner, it will prove to be "just another tool" in the game of food production, rather than making wholesale replacement of current basic technology and practices.

Therefore, we should be cautious about placing too much hope on bio-tech as being the salvation in some of our current concerns, especially if the temptation is to discard ongoing productive programs to finance an increased bio-tech effort.

FARM INCOME PAYMENT PROGRAMS:

"Decoupling": We do not support separating farm income payments from production activity on the farm. Farm income payments are made in the public interest, to stabilize the agricultural industry and the associated rural areas -- not to just provide welfare for the rural population and rural communities.

Farmers in general do not overproduce and otherwise create adverse market conditions for any particular period of time, unless governments have intervened in markets to sustain one imbalance or another for longer than a more freely operating market might sustain. Farm income payments are generally made to correct such imbalances, and normally compensate a farmer for taking some kind of action on his farm that has the short term impact of reducing his income. Therefore, so long as governments intervene in markets, and such corrective measures are necessary, then the payments should not simply be "welfare checks", disassociated from the production of the farm.

Payment Limitations: It is our belief that the current system of administering the payment limitations is much more costly than if there simply were no limits. However, we also understand the political problems associated with unlimited payments.

Therefore, we support a much simplified system of qualifying for payments.

Safety Net: We believe strongly that the public interest is best served if agricultural programs provide a reasonable safety net for farmers in the event commodity prices become unreasonably low. Therefore, we support a loan and target price formula that assures U.S. farmers a reasonable opportunity to survive an unusually adverse market, while not providing circumstances which serve as a price fixing mechanism for the international market like the U.S. loan has in the past.

From a budgetary standpoint, we understand the necessity of working loan and target prices down from previous levels. However, U.S. (and world) costs of production are such that current loan and target prices are about as low as we think they should move if we are to sustain a reasonable safety net.

Target Price Equity: We strongly support changing the relationship among the target prices for the program crops. It is our belief that current target price relationships cause a significant distortion in the acreage devoted to each commodity.

For barley, it is mandatory that the support level be modified and the formula changed so that the same factors are considered in calculating the target price as in calculating the market price. It is not reasonable, nor equitable, that feed grain barley prices are used to establish the target price level, followed by use of the higher prices for malting barley in calculating the average market price. As far as I know, such a questionable procedure is not used for any other commodity.

DISASTER RELIEF -- FEDERAL CROP INSURANCE NOT THE FULL ANSWER: Federal crop insurance is a welcome part of the current national policy. However, we do not believe it will ever suffice as the entire means of providing disaster relief in instances of wide-spread agricultural trauma events such as the recent national drought situations.

If the premiums for federal crop insurance were high enough to provide an insurance fund adequate for such an emergency, then the annual premiums would likely be so high that only those farms in high risk areas would participate.

If federal crop insurance is pushed as the exclusive alternative, then the cost thereof will be factored into the cost of production, and the public will utimately pay the cost anyway, through the commodity prices and/or other avenues.

Disaster relief is a national public concern, not just a farmer's concern. It seems most likely that a combination of federal crop insurance that takes care of the lesser "natural tragedies", coupled with a public funded program for the more pervasive disaster events would be most economical over the long term for the taxpayers.

Mandated federal crop insurance is not generally welcomed by farmers, and we do not support such a concept as the only means of disaster relief. We cannot justify the expense except in the higher risk areas.

RURAL DEVELOPMENT -- HAVE WE DECIDED TO ABANDON RURAL AMERICA: Much greater attention must be given to the decline of our rural areas. This nation has spent generations building an infrastructure that is the envy of the world, the capacity to transport commodities quickly and economically to and from all parts of the nation. It has traditionally been seen to be in the best public interest to have the resources of our nations rural areas closely linked to the urban areas.

Recent agricultural policy, and much of the current land use zoning has the impact of isolating agricultural areas. Rural communities are fading away, and the urban population grows less aware of their ultimate dependence upon the general economic activity of our rural areas.

While we understand that such change is the price of progress in many instances, we also believe that such change is accelerated or actually caused by public policy that ignores these kinds of consequences.

Urban America may think that they are no longer dependent upon the rural infrastructure, but the reality is that urban populations are increasingly dependent, especially as the environmental concerns increase in urban as well as agricultural areas.

AGRICULTURAL PROGRAMS, NATIONAL DEFENSE AND THE BUDGET -- A DILEMMA, OR A SOLUTION ?: In conclusion, it seems appropriate to indicate that the U.S. seems to be having the greatest agricultural debate concerning "unfair trade practices" with those countries or economic blocks in the world for whom we also provide the greatest national defense umbrella. It seems very likely to me that if these nations or economic blocks were required to provide the full cost for their own national defense, then they would not have quite the "surplus" of funds currently available to underwrite their agricultural support systems.

Quite possibly, one means of reducing the budgetary cost of U.S. agricultural programs is not to reduce U.S. program expenditures directly and severely modify our policy framework, but rather to identify and modify other programs in our international policy that unreasonably or unwittingly provide funding options for other nations to "unfairly" compete with us.

(Attachment follows:)

OREGON
WHEAT

Price Stability for Wheat

Presented by

Don Peterson
President
Oregon Wheat Growers League

OREGON
WHEAT
OREGON WHEAT GROWERS LEAGUE
305 S W 10th • P O Box 400
Pendleton, Oregon 97801
Phone (503) 276 7330 (24 hrs)

PRICE STABILITY FOR WHEAT

By Don Peterson, President
Oregon Wheat Growers League

Presented to the National Association of Wheat Growers Executive Board Meeting October 6, 1988, San Diego, California.

The recent drought has emphasized the continued need to statistically assess the current supply of farm crops. The renewable resources that depend on weather are indispensable to the economic well-being of any country to say nothing of the very needed food supply.

The price level has worked up towards the target price level which will result in much reduced government payments which were instituted to engage in world price war to gain some lost market share.

The drought gives a chance to really take a close look at the current farm program, and I would like to point out that other than an unrealistic price level, it is a very good program. According to an economic study recently published by agricultural economists, Ray and Plexico of Oklahoma State University, we need the opportunity to reach higher price levels by managing production and inventory.

They state supply is not regulated by the industry, and demand is unresponsive to price. They say savings in per-unit-cost through the application of technology are overwhelmed by lower product prices. It seems to me price levels that return cost of production (plus a reasonable profit) are capable with current farm programs. Income needs to come from a price level that is a result of a negotiated supply-management worldwide.

At recent National Association of Wheat Growers conventions, foreign producers in attendance have asked, "What is the price discovery mechanism?" One definition would be a willing buyer and a willing seller. How far removed we farmers really are from the buyer of our wheat!

With so much of our wheat being traded at the government level, there are many impediments to free trade. There is a lot of rhetoric about changing the current program, when it runs out, to a decoupling concept that assumes free trade. We need to very carefully be aware of the direction this concept would take agriculture in the future.

There is a lot of press about the current negotiations with our foreign competitors to reduce subsidies. It seems to me to be more worthwhile to negotiate supply management to such needs as world hunger, dependable supply, reserve, and so forth. Let each country share in these needs.

Rural America is in trouble. Manufacturing is declining and low, raw material commodity prices are not generating the needed income from the market place to sustain small towns. The quickest way to generate economic activity in rural America is to insist that profitable price levels be achieved for commodities that come from the land and sea, such as farm crops, timber, minerals, and sea food.

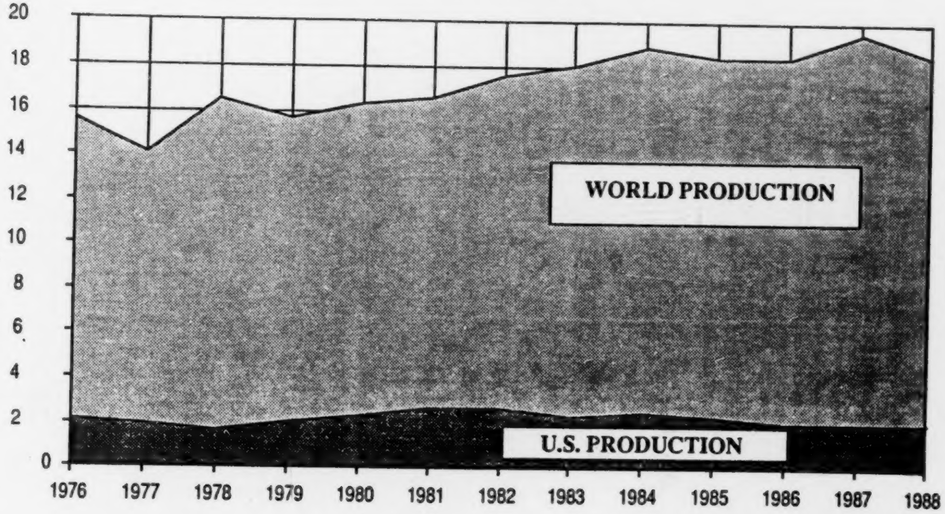
I believe a continuation of the 1985 Farm Program is the best way to achieve less budget exposure, improve the trade balance, allow us to be tough negotiators, maintain market share, and improve the economic conditions of rural America.

###

OREGON WHEAT

World and U.S. Production of Wheat

BILLIONS OF BUSHELS

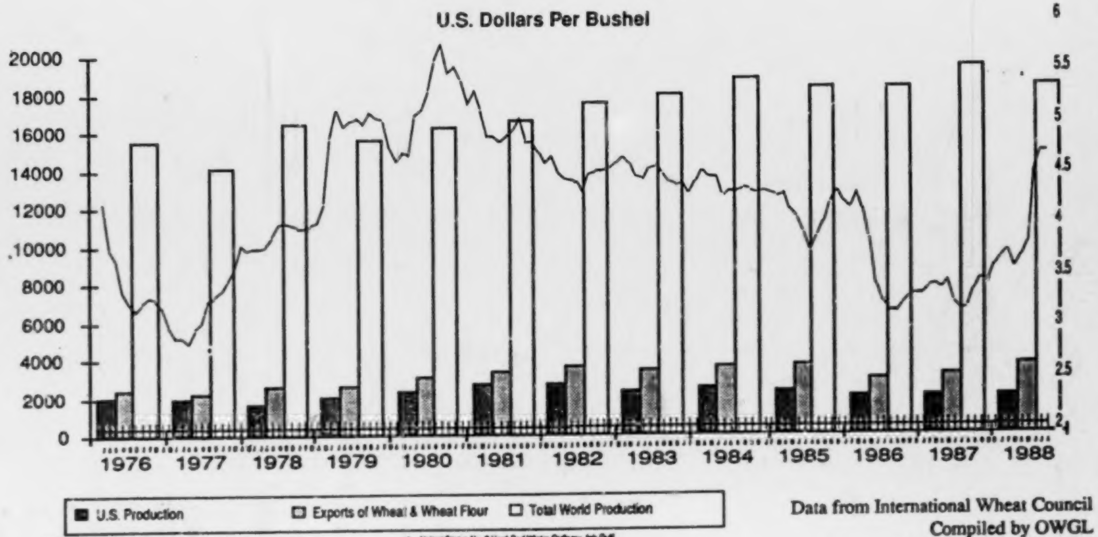


Data from International Wheat Council
Marketing year July / June
As of September 27, 1988

OREGON WHEAT

INTERNATIONAL WHEAT COUNCIL
WORLD MONTHLY INDICATOR PRICE AVERAGE

JULY 1976 - AUGUST 1988

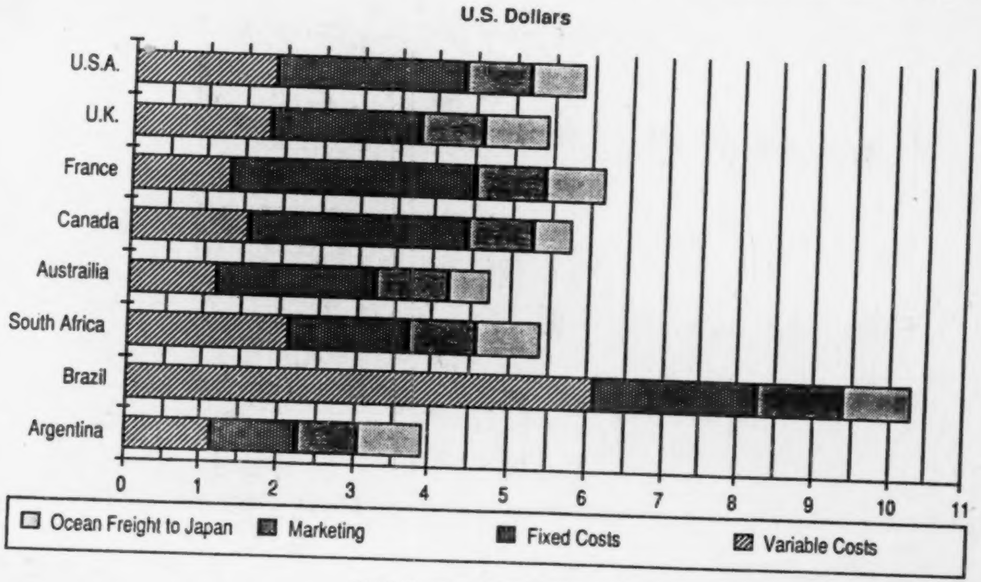


As calculated by the IWC Secretariat.
*The composition of the weekly indicator is the average of the following prices:
1 Australian Standard White, fob Eastern States —nearest shipment position quoted.
2 Canadian No. 1 CWRS 13.5% fob St. Lawrence
3 Canadian No. 1 CWRS 13.5%, fob Vancouver.
4 United States No. 2 Hard Red Winter Ordinary, fob Gulf.
5 United States No. 2 Soft Red Winter, fob Gulf.
6 United States No. 2 Dark Northern Spring 14%, fob Lakes.
7 United States No. 2 Western White, fob Pacific.

Data from International Wheat Council
Compiled by OWGL
As of September 27, 1988

OREGON WHEAT

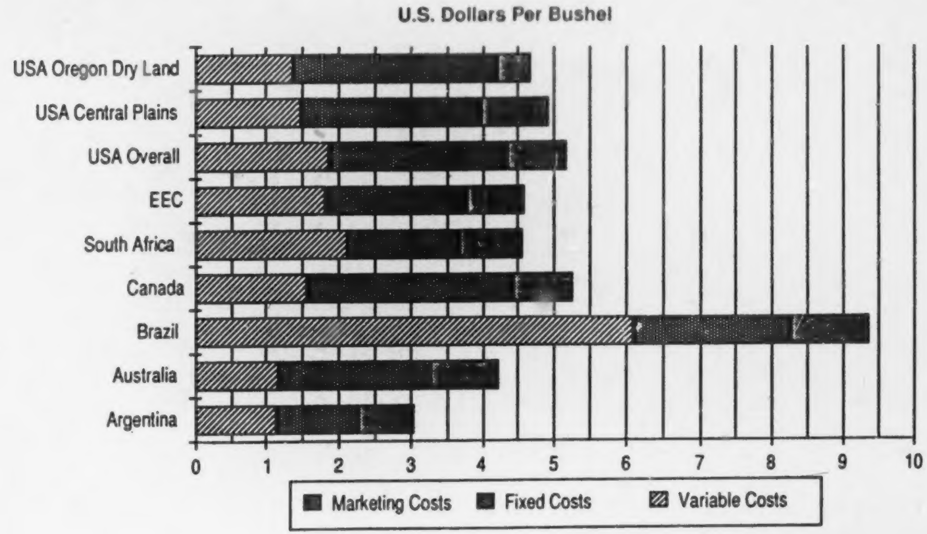
COMPARISON OF LANDED WHEAT COSTS BETWEEN VARIOUS COUNTRIES TO JAPAN



RASK, Norman, etal, Comparative costs in agricultural commodities among major exporting countries, Ohio State University, ESO 1325

OREGON WHEAT

COMPARISON OF PRODUCTION AND MARKETING COSTS BETWEEN VARIOUS COUNTRIES



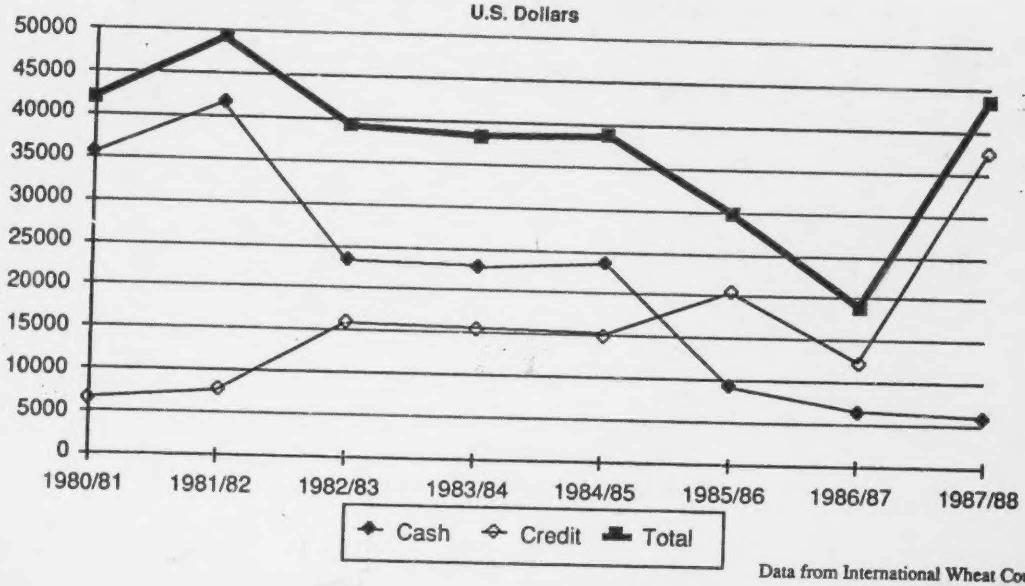
RASK, Norman, etal, Comparative costs in agricultural commodities among major exporting countries, Ohio State University, ESO 1325

Cook, Gordon, etal, Dryland wheat production and marketing costs in Oregon's Columbia Plateau, 1987-1988. Oregon State University Extension Service, 3/11/88

OREGON WHEAT

COMPARISON OF U.S. CASH AND CREDIT EXPORT SALES

Fiscal Years October - September



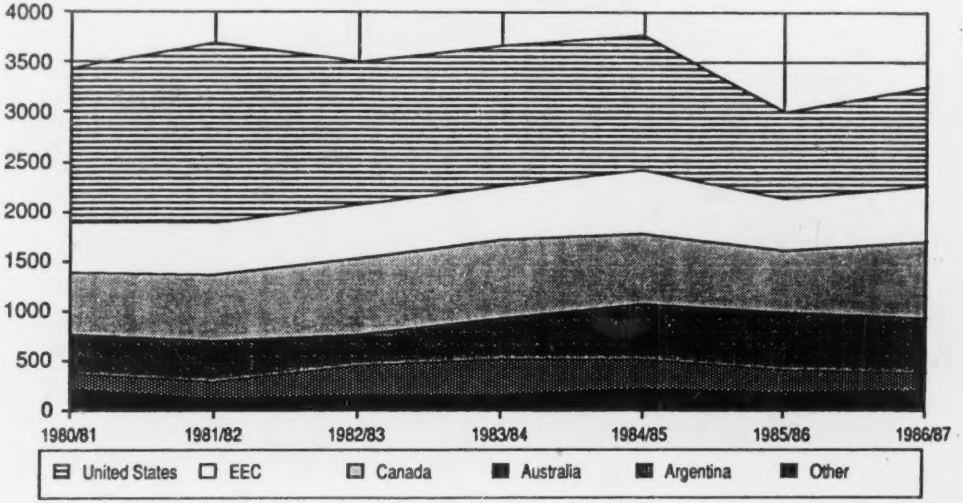
Data from International Wheat Council
And U.S. Wheat Associates
As of September 27, 1988

OREGON
WHEAT

5 MAJOR EXPORTERS SHARES IN WORLD TRADE IN WHEAT AND WHEAT FLOUR

JULY / JUNE 1980/81 - 1986/87

Millions of Bushels and Percentage



Data from International Wheat Council
Secretariat Paper No. 16
As of May, 1988

OREGON WHEAT
OREGON WHEAT GROWERS LEAGUE
305 S.E. 10th • P.O. Box 400
Pendleton, Oregon 97801
Phone (503) 276-7330 (24 hrs.)

Testimony by the Oregon Wheat Growers League
before the
U. S. House of Representatives Agriculture Committee
concerning
The 1990 Food Security Act

August 29, 1989

My name is Lawrence A. Coppock. I am the current chair of the Oregon Wheat Growers League Research Committee. The Oregon Wheat Growers League is a nonprofit trade group with a current mailing list of about 10,000 owners and operators of wheat land in the state of Oregon.

We are in summerfallow country.

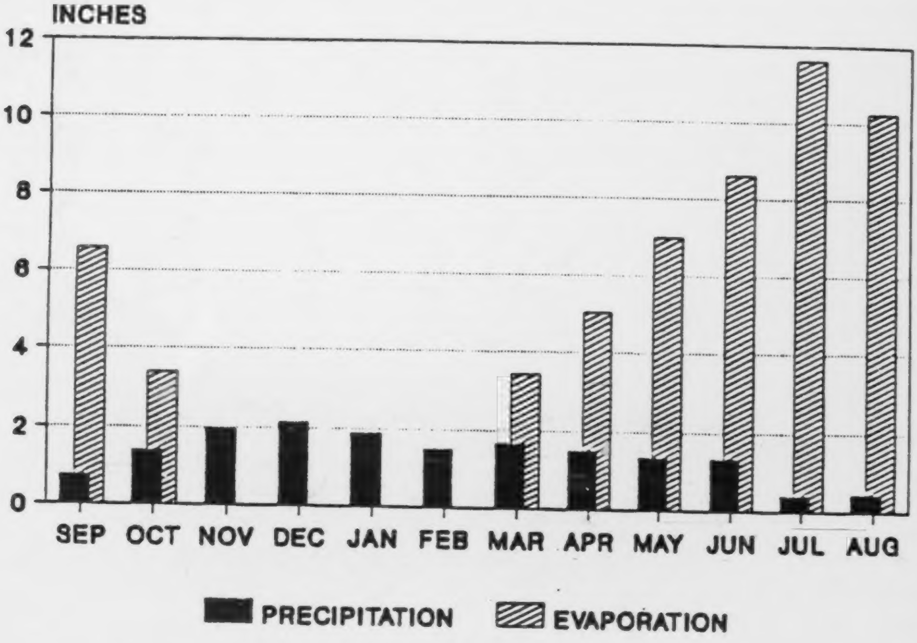


Figure 1. Average monthly precipitation and Class A pan evaporation for the Pendleton Agricultural Research Center (1971-1986).

Note no summer rain; all is winter precipitation. Therefore, we must set a moisture line to stop moisture loss. We set this line with tillage in June. There is not enough precipitation in one year for a crop, but, by conserving through summerfallow, we raise a crop easily on two years accumulated rainfall.

Our rotation is Wheat-Fallow.

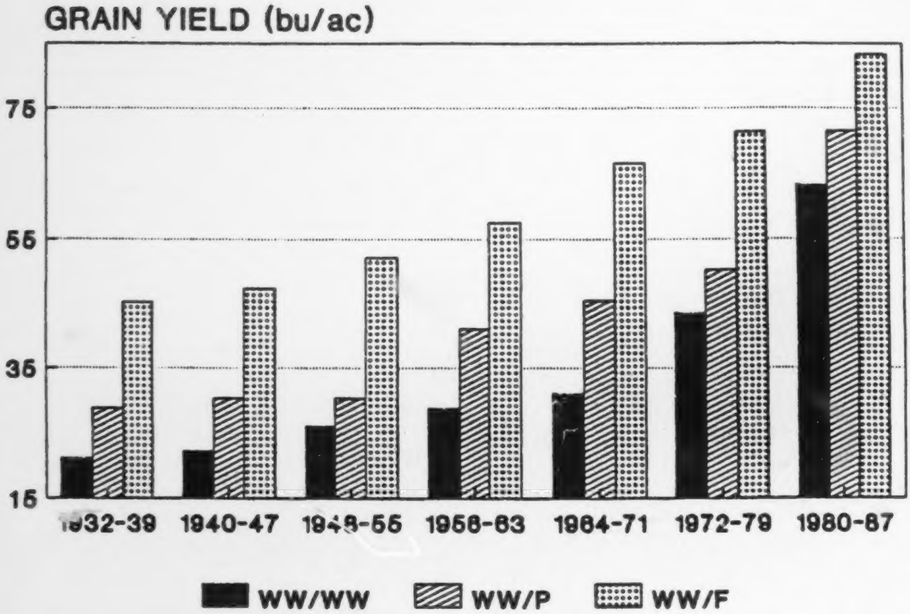


Figure 5. The effect of crop rotation on winter wheat yield, 1933-1987, in 8-year periods. Pendleton Agricultural Research Center. WW = Winter Wheat, P = Peas, F = Fallow.

This is a summation of all experiments since 1932. These are the three most productive rotations.

I hear and read that the 1990 Food Security Act will resemble the 1985 Act. I assume this is true. There are difficulties in operating some components of the 1985 Act. An Act is only as successful as it can be executed, so I must suggest some strengthening of operations that need to be in the 1990 Act.

We must revise and modify the Universal Soil Loss Equation. Some conservation compliance plans here require planting by September 5. This date is derived from the USLE and a ground cover requirement. Research shows that seeding before October 1 opens the crop to Russian Wheat Aphid, Cercosperalla foot rot, and Rhizoctonia root rot. The USLE does not have a component for insects and diseases, yet the USLE is the guide for writing planting dates in conservation compliance plans.

The USLE also does not recognize incorporated residue or surface roughness, both which can reduce erosion. WE ARE WRITING COMPULSORY PLANS FROM A KNOWLEDGE BASE THAT IS INSUFFICIENT. WE ARE WRITING PLANS THAT RESEARCH INDICATES SHOULD NOT BE COMPLIED WITH IN SUMMERFALLOW COUNTRY. We must require the Soil Conservation Service to revise and modify the USLE to recognize insects, disease, and erosion reducing tillage when writing compulsory conservation compliance in dryland summerfallow.

I also understand that to participate in the 1990 Act a farmer might have to use a rotation. I can't stand rotations.

See Table 19 (attached).

These are crops that rotations would consist of in dry-land Pacific Northwest. The highest gross return of these choices is $78 per acre. Twenty-five bushel wheat at $4.00 per bushel grosses $100. These rotations would ask me to accept less gross return-- and I couldn't even continue in business with 25 bushel wheat.

Now you might say, "Larry, you are only considering economic items." I have a long-term commitment to my banker that requires this consideration; therefore, I cannot stand rotations.

Modification of the Universal Soil Loss Equation and not requiring practices that are not economic, unless we are compensated, are mandatory to writing the 1990 Food Security Act.

#

REFERENCES

Long Term Management Effects on Solid Productivity and Crop Yield in Semi-Arid Regions of Eastern Oregon (8/89).
Paul E. Rasmussen, Harold P. Collins, and Richard W. Smiley

(Attachment follows:)

Table 19. Summary of Alternative Crop Yields. Pendleton Agricultural Research Center, 1949-1961.

Crop Group Specific Crop	No. of years	 lines	Yield Range	 Average	Gross Return †	Comment
			lbs/acre		$/acre	
Oil Crops						
Seed flax	4	13	762-1585	1316	75	Good spring crop
Safflower	8	12	544-1892	1400	55	Potential crop
Castor bean	2	3	438-886	639	40	High moisture seed
Sunflower	2	8	0-1244	616	-	Small hds, leaf burn
Mustard	2	8	59-1018	428	17	Potential crop
Spring rape	1	4	72-1018	550	22	Potential crop
Winter rape	1	1		648	26	Potential crop
Crambe	1	1		0		Crop failure
Camelina	1	1		211		
Cape Marigold	1	4		0		Killed by disease
Soybean	3	7	0-490	268	11	Varieties not adapte
Forage Crops - Hay						
Alfalfa	13	25	1740-4020	2740	30	Good dryland forage
Sweet clover	7	12	916-6902			Late pasture
Sudan grass	3	1	6000-6400			
Guar	2	3		0		Not adapted
Grass Forage						
Wheatgrass	8	11	722-1384	1027		
Fescue	8	5	561-983	697		
Forage Crops - Seed						
Crimson clover	2	5	71-156	124		
Subterranean clover	1	1		816		Winter annual
Grass Seed (Perennial)						
Wheatgrass	3	20	90-418	255		
Orchard grass	3	9	129-236	211		
Brome grass	3	15	296-527	402		
Fescue	2	1	357-907	632		

† Gross return in 1961 dollars.

Table 19. (Continued)

Summary of Alternative Crop Yields, Pendleton Agricultural Research Center, 1949-1961.

Crop Group Specific Crop	No. of years	No. of lines	Yield Range	Yield Average	Gross Return †	Comment
			lbs/acre	lbs/acre	$/acre	
Grass Seed (annual)						
Canary grass						
(spring)	5	8	194-1604	818	28	
(fall)	5	8	456-1739	1056	36	
Feed Grains						
Grain sorghum	3	15	67-2912	946	7	High grain moisture
Field corn	3	8	0-3360	1434	38	Lodging, leaf burn
Proso millet	1	2	115-1099	600		
Root Crops						
Sugar beet	2	2	8000-19800	14000	78	Uneconomical
Potato	1	3	1504-3729	2442		Uneconomical
Canaigre	1	1		900		Dried up
Peanut	1	1		0		Failure
Vegetables (fresh)						
Head lettuce	1	1		0		Not adapted
Head cabbage	1	1		0		Not adapted
Red table beets	1	1		0		Not adapted
Turnips	1	1		0		Not adapted
Acorn squash	1	1		0		Not adapted
Sugar pumpkin	1	1		0		Not adapted
Cucumber	1	1		0		Not adapted
Radish	1	2		0		Not adapted
Cantaloupe	3	4	0-10360	4580		Uneconomical
Watermelon	1	1				Uneconomical
Carrot	5	6	12000-43000	24800		Potential crops
Sweet corn	4	4	2400-8800	4400	51	Small ears
Green beans	1	1		2746		
Swiss chard	1	1		6460		
Vegetables (dry seed)						
Lima bean	5	3	130-1434	808		
Garbanzo bean	1	1	121-394	244		
Pinto bean	1	1	110-289	204		
Lentil	2	2	514-1149	868		Early maturing

† Gross return in 1961 dollars

Testimony
Subcommittee on Wheat, Soybeans and Feed Grains
Red Lion Inn, Pendleton, Oregon
August 29, 1989

For the record, I am Earl Pryor, a member of the Oregon Wheat Commission. In 1984, during the debate formulating the 1985 Food Security Act, it was my honor to serve as President of the National Association of Wheat Growers. Concurrently I received a Presidential appointment to the Agricultural Trade and Export Policy Commission. As a result of being inundated by reams of background material and the opportunity to testify before several Congressional committees, I may be thoroughly confused by now. However let me provide you comments regarding laudable goals as expressed by farmers, bureaucrats, and congressional members.

Building on the accomplishments of the 85 FSA, we want to produce for the market, not for the government granary. We would prefer to receive our income from the marketplace, however we want equal income opportunity with our international brethren. And we all want wholesome , plentiful, food at an attractive price.

Within these parameters, I present the following remarks relating to the following captioned issues.

1985 FOOD SECURITY ACT

The 85 FSA was essentially driven by fire sale mentality, incorporating a producer safety net linked to a "voluntary" production control program. It was designed to wring excess capacity and resources from the agricultural complex. Coupled with two succeeding years of drought, it has succeeded admirably. However, environmental elements of the Act were not well thought out. Nor were the administrative rules relating to "persons" well defined.

The Conservation Reserve Program with its budget driven 25% cap per county was excessive, and has devastated many rural communities with large acreages of highly errodable land and low production histories. I testified in support of CRP, but also cautioned that RURAL DEVELOPMENT should be an element of the Act. Belatedly, we are now addressing rural distress.

The "Mississippi Christmas Tree" triggered voluminous administrative rulings from ASCS which disillusioned farmers and ASCS staff alike, all highlighting the need for a more simplified program.

Congress must reexamine their subsidy programs. Import quotes are a case in point. Marshall Loeb, managing editor of "Fortune" magazine reported automobile import quotas saved 55,000 jobs, costing $5.8 Billion annually, or $105,454 per job. The carbon steel quota is calculated to have saved 9,000 jobs with an annual cost of $6.8 Billion, or $750,000 per job. How does this square with a $50,000 payment limitation? How about beef quotas, Congressman Smith?

OTHER LEGISLATIVE BRUISES

Deregulation of the transportation industry has allowed the railroad industry to abandon rural lines at will, with little oversight from the Interstate Commerce Commission. Deregulation of trucking increased the availability of this mode, but at what cost to our rural highway systems?

And how does this impact our energy policy of fuel conservation, because trucks are our least energy efficient mode?

The recent restructuring of our tax codes removed the income averaging option for agriculture, which is admittedly an extremely cyclical industry, exposing us to exorbitant tax consequences. Additionally, aggies lost out when compared to other industry relative to investment credit phase out.

The advent of interstate banking robbed rural depositors of loanable funds. Deposits are transferred to metropolitan areas where car loans personal, and home improvement loans bring higher interest returns. Our local interstate bank has less than 10% of total deposits working in our community.

All of these negative factors contribute to the financial hardship in rural America. However, our greatest rural loss is the migration of our most capable young people to metropolitan areas, where greater social and income opportunities may exist.

The rural fabric of America needs tending!!

1990 FARM PROGRAM PROPOSALS

I propose that you consider initiating a PRODUCTION MARKETING LOAN, (PML), for producers of feed grains, wheat, rice and upland cotton, our basic farm program commodities. Should soybeans be included?

The PML would be a 9 months recourse loan to provide interim financing to purchase production inputs for succeeding crops, serve family living requirements, and allow orderly marketing.

Eligibility would be determined by participation in the 1990 Farm Program.

The loan level would be a function of the commodity's international market price plus an allocation designed to offset producer subsidy equivalents,(PSE), in other nations. Centrally planned economies and producers served by grain boards or other intervention schemes, place our farmers at a distinct disadvantage.

PML outlays would build safety net assurance for adequate food supplies in our country, maintain stocks for Food Aid commitments, P. L. 480 programs, provide competitively priced commodities for international trade, and contribute towards a positive trade balance.

Obviously, the PML would replace the Export Enhancement Program, and allow commodities to seek an international price level within and at our border when exported. The PML would nicely accommodate our GATT objectives.

Most importantly, the PML sends a signal to our market competitors that we will not be a residual supplier. carrying stocks for the world. They will be marketed annually at a competitive level and in compliance with free and fair trade principles.

We are uniquely positioned with modest international supplies and adequate pricing levels, to implement a substantive change in our farm programs which will reduce outlays. reducing bureaucratic middlemen through a simplified farm program, and provide a safety net of adequate supply domestically and abroad, with an adequate return for our producers.

The 85 FSA has been an effective tool in reducing burdensome oversupply and its projected average cost is near $13 billion annually over the last three years compared to a high of $26 billion in FY86. The PML embraces a similar concept of producing for markets, not government storage. We will be utilizing our productive advantage in the international marketplace. PML will allow assistance to be channeled to participating growers relative to their investment and management return needs, providing a measure of stability for the agricultural complex.

PML/FARM PROGRAM ELEMENTS

Target price, deficiency payments, and nonrecourse loans would be obsolete under PML objectives. Income supplements to equalize PSE's between competitively trading nations is a complex subject, to large to address in this limited forum, but it can be done. The goal is to provide a level playing field for agriculturists. PML would effectively decouple producer income requirements from international pricing.

Acreage reduction programs,(ARP), paid diversion, acreage conservation reserve, zero-92 and 50-92, would be rendered obsolete by an annual bid system to retire surplus production acres. The efficacy of this system could be enhanced by annual pre-announcement of production goals in the Federal Register for public comment. USDA supply and demand projections provide an existing base for determining adequate production goals.
Normal Crop Acres,(NCA), used in previous farm programs, using actual yields can be adapted to annual set-aside crop acreage retirement bids if they are deemed necessary.
Base acres, program yield and production concerns would be superseded by the public bid production adjustment process.
The challenge is to "stay the course" to allow market signals to dictate the proper commodity mix on our production acres.

Food security reserves can be established with current remaining CCC stocks and rotated to maintain quality through simultaneous buy/sell transactions designed to be market neutral. Food aid requirements, and P. L. 480 programs can be serviced by open market purchases as CCC stocks are depleted. History indicates total storage and opportunity costs approaching $1.00 per bushel can be saved annually.

Commodity certificates, PIK and roll, posted county price, farmer owned reserve, and reserve roll over will be history. Savings through reduced administration and commodity management programs can be a major contributor to PSE alignments.

CONCLUSIONS

The Production Marketing Loan concept and annual individual ARP bidding opportunities for retirement of commodity production acres to avoid excess supplies, provides program participants an opportunity to produce for the domestic and international markets at competitive pricing levels. It allows value added processors to be internationally price competitive. It contributes to a positive trade balance.

Substantial program savings are inherent in this proposal. Administrative work loads and costs will be reduced. Producers are the benefactor of a two price system which will equalize income opportunities with other international producers, and return stability to the rural sector.

However, there must be attention to the macro policies that impact trade competitiveness among nations. Monetary and fiscal measures contributory to a positive trade atmosphere are absolutely necessary. Trade agreements that favor non-agricultural sectors at our expense must be avoided, particularly in the current Uruguay Round of multilateral trade negotiations, under the auspices of GATT.

Attention must be directed to the crumbling infrastructure of rural America, correcting contradictive energy, transportation, and tax policies emasculating rural opportunity.

These salutary farm program concepts need diligent research and your commitment to enactment of legislation enhancing our market competitiveness in primary commodities and value added products.

The authors of our next Farm Bill should recognize the unique opportunity afforded them by this moment in history.

I believe the PML embraces objectives long sought by government, agricultural commodity producers, processors, and exporters.

In closing, I thank you for bringing your sub committee to Pendleton, Oregon, affording me the opportunity to testify. I would be pleased to respond to questions.

TESTIMONY OF BILL SCHWERIN, PRESIDENT, WASHINGTON ASSOCIATION OF WHEAT GROWERS, BEFORE THE U.S. HOUSE OF REPRESENTATIVES AGRICULTURE SUBCOMMITTEE ON WHEAT, SOYBEANS, AND FEED GRAINS.

The Washington Association of Wheat Growers would like to express their appreciation for being able to present their position on several of the topics that will be considered in the 1990 Farm Bill.

As with most farm groups we have been pleased with the overall performance of the 1985 Farm Bill and would encourage continuation of the basic concepts. Because of time constraints we will deal briefly with the areas we are most concerned. We would be glad to provide additional information on any subject should such be desired.

1. FLEXIBILITY

A good deal of flexibility already exists in the 1985 farm program. Most of this flexibility has been left to the discretion of the Secretary of Agriculture and for budget reasons he has been reluctant to utilize this flexibility.

Some of this flexibility would be detrimental to wheat prices. For example, the Secretary is currently contemplating removing the limited cross compliance provisions for wheat. The net result would be additional wheat supplies and a lower wheat price. Traditional producers would receive a lower wheat price and the government would have a larger deficiency payment for wheat. In addition, these residual producers would now have a wheat base which would enable them to receive wheat deficiency payments in the future based upon that base.

We would encourage using the flexibility that exists in the farm bill for producers to try new alternative crops but we would caution that some flexibility would damage existing crop production and lead to additional future government expenditures. As in parts of Kansas, our state of Washington is 65 percent summerfallow rotation. Wheat is a semi-arid crop that is the sole livelihood of farmers in summerfallow dry land conditions.

2. ENVIRONMENTAL ISSUES

There has been much discussion regarding conservation, ground water quality, and chemical and fertilizer usage. Wheat farmers are very concerned about all of these areas. We are directly effected by the adverse impacts. We drink the water and we apply the pesticides. We do not want contaminated water nor do we want to work with chemicals that endanger our health. We continuously consider the advantages and disadvantages in our farming and attempt to select the best alternative with the information we have.

Rigid control of how we farm would be bad for agriculture and bad for food consumers. Centrally controlled economies have lacked success in agriculture and they are plagued with food shortages. We think it is a poor precedent to permit those unfamiliar with agriculture and with alternative motives to dominate agricultural policy decisions. We would encourage any environmental regulations to be implemented and administered at the local level rather than at the national level.

We support organic farming for those farmers that wish to pursue that type of agriculture. For organic farming to succeed there must be a viable market willing to pay a premium price to compensate the grower for a reduced yield. We would also point out to those involved with developing the 1990 farm bill that "low input sustainable agriculture" is not the same as organic farming. Most wheat producers feel they have been farming with "LISA" for some time.

3. GRAIN QUALITY

Presently grain quality is a function of blending and therefore represents an average. To effect the grain quality with respect to cleanliness and other deleterious characteristics we would encourage the development of a feed class of wheat. The class could replace class 5 and sample grade.

This change should accompany a greater degree of regulatory authority for FGIS. It should not go unnoticed by this committee that the new Canadian Free Trade Agreement could become the vehicle to adulterate our blended grain.

Establishment of a Feed Wheat class would help in the development of a new market and cleaning up of an existing one.

4. CRP

The conservation reserve program has been popular with both farmers and the environmental community. However, much of the land taken into the CRP was subject to wind erosion. In the high rain fall areas of the Pacific Northwest water erosion is a major problem and the current CRP rates have not been adequate to draw this land into the program. We would encourage orienting future bids toward the land's yield in order to draw some of the higher producing land into the program.

Current budget discussions mention freezing CRP at the present level. We support CRP to the extent that it doesn't cannibalize the present farm program. To preserve deficiency payments at their present level and the CRP, perhaps the CRP costs could be moved to the budget of another department.

5. SUPPORT LEVELS OF THE FARM PROGRAM

New farm legislation should take lessons from the past and apply the successes and cast aside the failures. The rising prices of present were brought about by a combination of lower loan rates, export enhancement, and mother nature.

Loan rates should be set at market clearing levels. Loan rates should be a marketing tool not a storage incentive.

The use of export inducements notable the EEP program will go down in history as the smallest amount of money spent for the greatest positive impact. Regardless of how we name it or by what logic we justify it, export enhancement is an answer to world trading challenges and is desperately needed. Agriculture depends heavily on this and other government actions and attitudes.

The target price should be maintained at levels that provide a safety net to help farmers manage risk and provide the incentive for the government to maintain an aggressive export policy. Current budget discussions talk of reducing the target price below the $4 level for 1990 and beyond. A $4 target price with a setaside requirement (ranging up to 30%) is not a profitable situation for most wheat producers. Low wheat prices are often caused by uncontrollables such as monetary policy, third world debt problems, embargoes, and cheap food policy.

6. FOOD SAFETY ISSUES

Food safety issues such as the Kennedy-Waxman Bill are of concern to our industry's future since they impede our ability to compete in world markets. Over 50 percent of the wheat grown in the U.S.is exported and over 85 percent of the wheat grown in the Pacific Northwest is exported. Policies and regulations that decrease our competitiveness in these markets should be fully disclosed. Economic impact studies should be required before measures are adopted. The American public should be made aware of the risk of import dependance when domestic production is lost.

In conclusion, it is particularly irritating to hear people talk about how the wheat industry would be better served by not producing for the program. In the 1980's the alternatives were narrowly defined as either going broke or farming for the program. The producers never produce for a subsidity indeed they produce for survival. Therefore, it is hard to visualize a major shift in production or any particular monetary advantage for producers with adoption of ideas such a decoupling or the triple base concept. It seems obvious that major changes such as these would simply shift attention away from building a financially sound domestic agriculture.

PACIFIC NORTHWEST GRAIN & FEED ASSOCIATION, INC.

200 S.W. Market Street
Suite 1005
Portland, OR 97201
503 / 227-0234

August 29, 1989

Testimony Submitted By:

Jonathan F. Schlueter
Executive Vice President
PACIFIC NORTHWEST GRAIN AND FEED ASSOCIATION

Pacific Northwest Grain and Feed Association (PNWGFA) is a non-profit, regional trade organization, headquartered in Portland, Oregon, which represents 175 commercial grain warehousing companies, animal feed and flour milling operations, and grain exporting facilities located in the 4 Northwest states of Washington, Oregon, Idaho and Montana.

The members of our Association account for more than 30 percent of the grain that is exported from the United States every year; much of this volume is soft white wheat. Of the soft white wheat that is produced in this region, between 80-85 percent is destined for export to one of more than 50 countries around the world who rely on Northwest farmers to feed their people.

Yet, as reliant as these foreign customers are upon Northwest farmers to produce the wheat they need, these foreign nations are equally dependent upon the Export Enhancement Program, and other U.S. government financing assistance programs to obtain this grain. In the 1988-89 crop year, for example, 68% of the soft white wheat cargoes required financial aid, either through the EEP, Public Law 480, AID, or other federal credit guarantee programs, before they could be loaded, shipped and delivered to these customers.

There can be little doubt that the Export Enhancement provisions of the 1985 Farm Bill have been pivotal to the overall success of our nation's farm program during the past 4 years. Through the aggressive application of the EEP program, the U.S. has been able to regain many export markets around the world and reassert our dominant role in the world grain trade.

But now that we have accomplished many of our policy objectives, USDA officials and many federal policymakers seem content to herald our accomplishments by placing the EEP provisions on a back burner, and allow the 1985 Farm Program to run its course more discreetly.

The members of Pacific Northwest Grain and Feed Association strenuously disagree with this acquiescent attitude, at a time when our competitors in the world grain trade are stepping up their marketing campaigns. We have seen numerous examples in recent months where our European, Canadian and Australian competitors have aggressively sought to step in again in traditional U.S. markets.

Congressman Smith, a month ago you received a letter from the Pacific Grain Export Association, explaining the current situation in the

Affiliated with National Grain & Feed Association
American Feed Industry Association

Philippines. In that letter, Export Association President John Hansen of Bunge Corporation, outlined how the Canadian Wheat Board has been able to displace more than 30 percent of the U.S. market share among the Philippine flour milling industry by undercutting us by as little as 25¢ per ton.

The Canadians success in making inroads to the Philippine flour milling industry is purely and simply a matter of price. In their efforts to establish their presence in this traditionally U.S. grain market, the Canadian Wheat Board has demonstrated their willingness to take whatever steps are necessary---even if it means selling their grain at a loss.

U.S. producers and exporters cannot compete on equal footing with a government marketing board that operates in this manner. We believe that our own government programs should be aggressively administered in cases such as this, to dissuade our foreign competitors from continuing their imprudent marketing practices.

However, we note that in recent months when we have needed USDA and the EEP most urgently, the government has been lethargic and inconsistent in its response. This is frustrating not only to our domestic producers and export shippers, but also to the very foreign customers whom we are trying to serve.

Our foreign customers, whether in the Philippines or anywhere else, need to be able to plan their purchasing and supply requirements many months in advance. They should not be confronted with the on-again-off-again vagarities of the USDA's use of the Export Enhancement Program, as we have seen in recent months.

Our Association strongly supports the continuation of the EEP provisions in the 1990 Farm Bill package.

But we must have clearly defined policies and conditions under which EEP and other financial incentive programs will (or will not) be available---next week, next month, and next year. Clearly, our foreign customers deserve nothing less.

The members of Pacific Northwest Grain and Feed Association appreciate the opportunity to submit these views on the 1990 Farm Bill package, and yield the balance of our alloted time to questions from the Committee, or to the next witness on your docket.

Jonathan F. Schlueter
Executive Vice President

1990 FARM BILL TESTIMONY
Pendleton, Oregon
August 29, 1989

I am Don Cook, General Manager of Pendleton Grain Growers, Inc. Our Company is a local cooperative owned by 2300 farm producers. We have annual sales of approximately $85,000,000 including grain storage and marketing, and extensive sales of farm supplies such as petroleum and fertilizer.

My purpose today is to briefly share some observations and opinions relative to the current and proposed farm bill. I believe the present farm bill has been the most effective for our producers of any in the past 40 years. Having said that, I would point out that the CRP Program has reduced our company's grain marketing and supply sales by twenty percent. This caused 17% reduction of employment. During the midyears of this decade we enjoyed large amounts of income from storing grain carried forward from previous years' production. However, the focal point of a good farm program must be a viable, financially sound agriculture producer. For agribusinesses such as PGG and rural communities such as Pendleton to have a favorable economic climate we must have a stable, financially sound agriculture producer. We must not get distracted by other self serving interests, but keep in mind the long range view of the producers' importance.

This philosophy also applies to the State of Oregon. I currently serve as Chairman of the Board of Directors of Associated Oregon Industries. This is an organization of 1300 of the major businesses in Oregon. AOI is well aware of the importance of a stable and profitable agriculture to our State's economy. The Port of Portland and many business interests throughout Oregon are strongly supported by the economic activities that originate with our grain producers.

There are three specific points I would leave with you:

1. Continuing the Export Enhancement Program is extremely important. Setting my Company's grain storage interest aside, it makes far more sense to use budget dollars to allow our grains to be competitive in world markets than it does to spend them on storage costs.

2. In our dryland area of summer fallow rotation, we have no viable alternative crop options beyond wheat and feed barley. There are many more crop options in much of the U.S. than there are in the Pacific Northwest.

3. Time of passage of the new farm bill is extremely important. If our producers do not know what the "game plan" is until July or August 1990 as has often been the past circumstance, it will cost them and related agribusinesses who serve the producer heavily in lost efficiency of operation. In winter wheat areas such as ours, knowing the program a year in advance of planting is needed for reasonable efficiencies.

Thank you for coming to Pendleton and allowing me to share these thoughts with you.

Statement of
Tom Trevino, Executive Director
Idaho Grain Producers Association
Before the
House Subcommittee on Wheat, Soybeans and Feed Grain
August 29, 1989

Chairman Glickman and members of the Subcommittee:

My name is Tom Trevino, and I am the Executive Director of the Idaho Grain Producers Association. I want to thank you for the opportunity to testify on the 1990 Farm Program on behalf of the association which is made up of wheat and barley growers in the state of Idaho.

As envisioned by the 1985 Farm Act , remarkable improvement has been made in the wheat situation during the last several seasons. The average crop year price of wheat in Idaho has increased substantially since the 1985 Food Security Act (FSA) has been in place. According to the Idaho Agricultural Statistics Service the average price has increased 42% from the 1986 crop year to the 1989 crop year.

Improvement has also been seen in the wheat stock situation in the past several years. The beginning stocks on June 1, 1989 were the lowest in 15 years. Exports of wheat from the Pacific Northwest have also had substantial increases. PNW White Wheat exports have increased 50%, (128,474,000 to 256,968,000 bushels) from 1986 to 1989. PNW Hard Red Winter wheat has seen a 25% increase (71,335,000 to 95,673,000 bushels) in this same period. Exports of the Hard Red Springs have increased 18% (80,392,000 to 97,545,000 bushels).

The 1985 Food Security Act also has been favorable in encouraging our competition, specifically the EC, to make use of land diversion programs resulting in Americans benefiting through expanded world trade by decreased production worldwide.

The IGPA overall is happy with the results of the 1985 Farm Act but would like to offer the following considerations for the upcoming bill:

1. Removal of the farm payment limit of $250,000. These payment limits discourage participation in the acreage reduction programs by the very large producers, thus making the farm bill expensive and encouraging some farm enterprises to produce other program or non program crops which results in other commodity surpluses.

2. Farms should not lose base acres for under seeding or not planting. The current farm program penalizes growers if they do not seed every acre of wheat equal to their base yet the intentions of the farm program is to reduce production.

3. Advanced deficiency payments should not be subject to refunds. Refunding Advance Deficiency Payments is a hardship on growers, as this money is used for operating capital and some may not have the reserves to draw upon.

4. The county ASC offices should maintain proven yield data and field cropping dates (ten Years) if so submitted and requested by a grower. There needs to be a correlation between the USDA agencies (ASCS, SCS and Federal Crop Insurance) especially with the increased emphasis on Federal Crop Insurance.

5. A farm's 5 year proven yield should be used in determining deficiency payments. In a year of drought or hail loss the farm's previous five year proven average should be used for that year's proven yield production.

6. The acres to be used for Base Calculation, on non-participating farms, should not exceed the established base on the farm for that year. Furthermore, the base on non-participating farms should not be able to increase without petitioning the local ASC board for special considerations. The farm program coupled with the 1988 drought, has brought down burdensome stocks bringing the carryover to an acceptable level for supply and demand to help raise prices, hence lowering our dependence on the Food Security Act. Also, the farm program has allowed increased seeded acres by 17.5%, feeling this will increase stocks but not create a burdensome carryover. Some

producers are jeopardizing the program, the American taxpayer, and farmers currently in the program, by over-seeding their base, and hence creating a higher crop base and bigger surpluses.

7. Realigning Target Prices. One possible way to reduce outlays on commodity programs, increase total output and provide for greater production flexibility among crops is to realign target prices so that they more nearly approximate production costs. Although the IGPA opposes the reduction of target prices, we support the fair realignment for all grains. The USDA's estimates of full economic costs of production for the 1985-87 crops and a three year average of these costs for different commodities is shown in the table below. Full production costs do not provide a return for management and family labor. In the past, USDA has arbitrarily added 10 percent to production costs to cover these management and family labor costs. This table has a 10 percent production cost added to cover the costs of the management and family labor.

Two points worth noting is the Barley and Corn Target Prices versus Cost of Production figures. Barley Cost of Production is $2.93 while the Target is $2.43. Corn, on the other hand, has a Cost of Production figure of $2.35 with a Target price of $2.84.

Full Economic Costs of Production and Baseline Target Prices
Full Production Costs

	1985	1986	1987	Avg. 1985-87	Full Cost Plus 10%	Target Prices 1989/90	Target Prices 1990/91
Wheat ($/bu.)	3.99	3.82	3.64	3.85	4.23	4.10	4.00
Corn ($/bu.)	2.36	2.01	2.05	2.14	2.35	2.84	2.75
Sorghum ($/bu.)	2.29	2.04	2.00	2.11	2.32	2.70	2.61
Barley ($/bu.)	2.87	2.53	2.58	2.66	2.93	2.43	2.36
Oats ($/bu.)	2.48	2.07	2.31	2.29	2.52	1.50	1.45
Rice ($/cwt.)	8.78	7.15	7.55	7.83	8.61	10.80	10.71
Cotton (¢/lb.)	67.6	74.8	63.2	68.5	75.4	73.4	72.9
Soybeans ($/bu.)	4.98	4.83	4.95	4.92	5.41	n.a	n.a

8. Continuation of the Export Enhancement Program. The EEP has resulted in the export of over $8 billion in farm products and will help to assure the future vitality of the U.S wheat and barley industry. The EEP has helped the wheat industry regain market shares lost to unfair competition and we concur with Agriculture Secretary Yeutter when he called for the monetary cap on EEP to be lifted. If the U.S. is to bring the EC to meaningful negotiations in the Uruguay GATT round, we must send a strong message that we will not tolerate unfair trading practices. We must aggressively use the EEP program for both wheat and barley. The EEP has been successful in countering the unfair trading practices of some of our foreign competition. The EC has already allocated a 12 percent increase in funds for barley export subsidies in 1989/1990. A similar scenario can be painted for the wheat industry. The EC barley exports comprised less than 30 percent of the world barley trade as recently as the early 1980's. Their share is now almost 60 percent, a growth in exports that has come at least partially at the expense of the

U.S. market share. During this same period of time, the EC's wheat exports in the world market have increased from 3% to 12%. The next Farm Bill must contain a strong and aggressive EEP program in order to fight all the unfair competition of both the recognized subsidized and non-subsidized programs in the world market.

9. Avoidance of terminating trade subsidization unilaterally. Any move by the U.S. to unilaterally remove trade subsidies will be strongly opposed by U.S. grain producers.

10. The IGPA supports limited cross compliance between program crops but would oppose any provision mandating off-setting cross compliance between farms.

I once again thank you for this opportunity to present the views of the Idaho Grain Producers Association and for your consideration of these points in the upcoming months of the development of the 1990 farm program.

MY MANE IS FRITZ HILL. 202 NE HORN. PENDLETON. OREGON. 97801 I PRODUCE WHEAT. BARLEY AND DRY PEAS IN THE PENDLETON AREA AND I AM A MEMBER OF THE NEWLY FORMED OREGON GRAINS COMMISSION. THIS COMMISSION WILL REPRESENT THE FEED GRAINS: PRIMARILY BARLEY BUT ALSO RYE AND TRITICALE. I MENTION THIS NEW COMMISSION TO ACCENTUATE THE FACT THAT THE FARM COMMUNITY IS ASSESSING THEMSELVES FOR RESEARCH AND DEVELOPMENT AND EXPANDED MARKETS AND NOT LOOKING SOLELY TO THE GOVERNMENT FOR THAT HELP.

IN THIS PART OF OREGON WHERE WE AVERAGE ONLY 15 INCHES OF RAINFALL A YEAR AND THE MAJORITY OF ALL CROPS ARE RAISED UNDER DRYLAND CONDITIONS. WE COMMONLY EMPLOY A SUMMER FALLOW CROP ROTATION-CROP ONE YEAR. FALLOW THE NEXT. HERE WE HAVE VERY LITTLE FLEXIBILITY IN ALTERNATE CROPS. BARLEY IS THE CHOICE IN THIS AREA. IN THE NORTHWEST. BARLEY MUST BE CONSIDERED WITH WHEAT WHEN WE ARE DISCUSSING FORMATION OF THE NEW FARM BILL.

FOR YOUR CONSIDERATION I WOULD LIKE TO SUBMIT THE FOLLOWING:

1. EXPORT OPPORTUNITIES TO RUSSIA AND THE MIDDLE EAST HOLD GREAT POTENTIAL FOR PNW BARLEY. THE EC CURRENTLY SERVES MOST OF THIS MARKET AND IT WILL BE NECESSARY TO UTILIZE THE EEP BEFORE THESE AREAS BECOME TOO INTERESTED IN OUR BARLEY. MARKETING PROMOTIONS MUST NOT JUST BE CREATED BUT MUST BE EMPLOYED TO HAVE A POSITIVE IMPACT ON THE MARKET.

2. MALTING BARLEY AND FEED BARLEY MUST BE CONSIDERED SEPERATELY WHEN DETERMINING THE TARGET PRICE AND CALCULATING

THE NATIONAL PRICE AVERAGE. CONSISTENT CALCULATIONS WOULD GREATLY REDUCE THE POSSIBILITIES OF PRODUCERS HAVING TO PAY BACK THE ADVANCE DEFICIENCY PAYMENTS AS THEY HAVE IN THE PAST.

3. GRAIN PRODUCERS WOULD MUCH PREFER MAXIMUM PRODUCTION. MARKET ORIENTED FARM BILL AS COMPARED TO A REDUCED PRODUCTION BILL WITH FINANCIAL INCENTIVES. IT IS VERY IMPORTANT TO ANY PRODUCER TO HAVE A FARM BILL IN PLACE AT LEAST A YEAR BEFORE ACTUAL PLANTING DATES. SEVERAL TIMES IN THE RECENT PAST FARMERS HAVE GONE INTO THE PLANTING SEASON ONLY BEING ABLE TO GUESS AT THE FINALIZED FARM BILL.

THANK YOU FOR YOUR CONSIDERATION.

FRITZ HILL

OREGON GRAINS COMMMISSION MEMBER

202 NE HORN

PENDLETON. ORE

97801

OREGON farm bureau
1730 Commercial St. S.E. • P.O. Box 2209 • Salem, OR 97308 • (503) 581-1486
the voice of organized agriculture

STATEMENT OF THE OREGON FARM BUREAU FEDERATION
BEFORE THE HOUSE COMMITTEE ON AGRICULTURE
SUBCOMMITTEE ON WHAT, SOYBEANS, AND FEED GRAINS
REGARDING THE 1990 FARM BILL
PENDLETON, OREGON
AUGUST 29, 1989

Presented by Larry Lear
Chairman, Wheat and Feed Grains Committee

Good Morning. I am Larry Lear, chairman of the Oregon Farm Bureau cereal and feed grains committee and a grain farmer from Condon, Oregon. Oregon Farm Bureau Federation is the states largest general farm orgnization. I am pleased to be here today on behalf of the Oregon Farm Bureau Federation. I will share with you the thoughts of Farm Bureau on the effectiveness of the 1985 Food Security Act and the views of our members regarding the 1990 farm bill.

It does not seem very long ago that our members were gearing up for action on the 1985 farm bill. However, the conditions facing agriculture today are very different from what they were in 1984 and 1985. The issues that must be addressed are no less important than those covered by the last bill, but there is less of a crisis mentality associated with agricultural issues today.

While the Food Security Act of 1985 played an important role in improving the economic situation in agriculture, we should not forget that factors totally unassociated with the bill, like the price of fuel, favorable marketing conditions for livestock and poultry, positive developments in farm policies abroad and economic growth in the rest of the world, played major roles in improving the income situation of U.S. agriculture. I bring this up so that we do not forget that farm policy is just one of many factors that affect profitability in agriculture. Agriculture does not exist in a world by itself, and farm policy must be consistent with the realities of global economic and political forces.

The Food Security Act of 1985 and the other beneficial conditions experienced over the last four years have led us to a point that we can make the following observations about U.S. agriculture today:

(1) Agricultural exports have improved in both value and volume as our policies have allowed major U.S. agricultural export commodities to be generally priced competitively in domestic and foreign markets. Oregon wheat exports totaled $168 million in 1985 and the 1989 forecast is $198 million.

(2) Net farm income has improved during the past four years.

(3) Carryover stocks of for most of the major farm program commodities have been reduced.

(4) Commodity prices generally are responding to market signals rather than being set by government programs.

(5) As expected, the yearly cost of the agricultural programs has gone down over the life of the bill.

(6) The Conservation Reserve Program has aided the soil conservation effort.

Farm Bureau had three major policy goals for the Food Security Act of 1985: (1) Supporting farm income; (2) Pricing U.S. agricultural commodities competitively; and (3) Reducing levels of government owned and managed stocks. We believe that the bill was largely successful in helping to accomplish those goals.

The task before us now is to take the current situation in agriculture and current farm programs and build on them so that agriculture can prosper into the 1990s. As I stated earlier, we must keep in mind the many forces affecting farm income that are beyond the control of Congress. The next farm bill must be flexible enough to deal with that uncertain future.

The voting delegates at Farm Bureau's 70th Annual Meeting addressed the basic goals and objectives of the next farm bill in adopting the following policy:

NATIONAL FARM POLICY

Improving net farm income and enhancing the ecohomic opportunity for farmers are Farm Bureau's most important goals.

We favor a market-oriented agriculture with supply and demand, rather than government action, ultimately determining production and price.

Subsequent to the Food Security Act of 1985, a consistent market-oriented farm program should be pursued that would:

(1) Rely less on government and more on the market;

(2) Allow farmers to take maximum advantage of market opportunities at home and abroad without government interference;

(3) Encourage production decisions based on market demand;

(4) Provide income support at a level that would not interfere with opportunity for income from the market;

(5) Encourage needed adjustments in resource use;

(6) Minimize or eliminate the impact on non-program commodities;

(7) Provide for minimal government stocks; and

(8) Be consistent with and complementary to international economic and foreign relations policies.

Our members were very clear in outlining the general direction for future farm programs. The first four points all tie farm programs to market reality. U.S. farmers utilize about $800 billion worth of resources in their production efforts. They own resources with the intention of using them to produce products and sell those products in the marketplace, both domestic and international. All farm programs have to be consistent with that need to produce and sell to a consumer market.

The fifth point encourages needed adjustments in resource use. Agriculture is constantly changing based on market demands and changing production technologies. Farm programs must be flexible enough to allow production agriculture to respond to changes as consumers worldwide make their voices heard in the marketplace. As part of the needed adjustments, we have supported allowing a 10 percent shift between base acres of program crops and initiatives for the updating and proving of program yields. The biotechnology revolution will continue to provide new opportunities for farmers to reduce their cost of production, improve the quality of products and minimize the introduction of chemicals and pesticides into the environment.

Producers of non-program commodities want a greater voice in determination of farm programs. It is evident that the markets for commodities produced without government price and income support programs are affected by farm program policies. Certain proposals to adjust farm programs would substantially increase the extent of those impacts. This is particularly important when issues like increased planting flexibility and shifting production patterns to meet environmental requirements are addressed. We must make sure that one group does not benefit at the expense of others.

Now is the time to address the issue of government grain storage programs. As I noted earlier, one of the goals of the 1985 legislation was to reduce the level of government owned and controlled stocks. That has largely been accomplished, but those stocks could be quickly rebuilt if we were to revert to the price support policies and storage policies of the past. The focus of policy has to be on producing the commodities in demand and selling those commodities in an orderly marketing manner, rather than producing for loan prices and storage payments and, thus, burdensome carryover building up supplies.

The eighth point in our future farm program policy deals with international policy. Uruguay Round of GATT negotiations is past the half-way point. The April mid-term framework agreement outlines the work that must be done to achieve the goals defined for agriculture. Farm Bureau has been a strong supporter of U.S. efforts in these negotiations. Any trade related segments within the new farm bill will need to be flexible enough to conform to a multilateral plan for the reduction of trade distorting subsidies and market access barriers, should one be forthcoming.

We will oppose, however, any proposed provisions which would require the U.S. to take unilateral action to eliminate existing policies. While U. S. farmers can effectively compete with farmers anywhere in the world, we can only do so if we are on an equal footing. We can not compete with governments that unfairly subsidize their farm producers.

Two other issues that affect farm programs are not addressed in our policy on farm programs, but appear elsewhere in our policies. These are the federal budget and environmental issues.

BUDGET

While the federal budget is certainly an issue in farm programs, it should not be the driving force in farm policy. As we all know, net outlays on price and income support programs have declined from almost $26 billion in fiscal year (FY) 1986 to about $14 billion this fiscal year, FY 1989. Projections for future years put outlays at about $10-12 billion per year.

Attempting to limit farm program expenditures to their range will necessitate difficult choices among well intentioned and desirable programs. We believe that we can effectively develop and implement such programs that will meet this targeted range provided that there is sufficient latitude within the program to respond to the vagaries of conditions that affect agriculture. It is our desire that the 1990 farm bill contain a policy objective that farmers receive a greater portion of their income from the marketplace.

ENVIRONMENTAL ISSUES

The environmental issues are considerably more complex. Farm Bureau's first concern is with the opportunity to produce. If the environmental portions of the new farm bill are so restrictive that farmers and ranchers lose the opportunity to use the resources they control, then the farm bill will be a failure, regardless of other provisions it may contain.

The Food Security Act of 1985 was the first major initiative to link together agricultural and conservation goals. The "Swampbuster," "Sodbuster," Conservation Reserve Program and Conservation Compliance provisions established precedents that many wish to build and expand upon in the 1990 Farm Bill.

As far as soil erosion is concerned, the most far reaching provision of the 1985 farm bill has yet to be implemented. While most of the conservation compliance planning has been completed, it will be another 5 years before the plans are fully implemented and the results are known. However, initial evaluation of the plans being developed indicate there will be significant reductions in erosion from highly erodible land. Since the impacts of the 1985 farm bill on conservation compliance are far reaching and yet to be fully implemented, it would be prudent to leave well enough alone and let the 1985 legislation run its course.

While it is easy for someone else to say what should be done in a farming or ranching operation, it's the role of the farmer as a manager of resources to actually make production decisions. As long as the focus is on what is feasible from a management standpoint, strides can be made in improving the environment. We in Farm Bureau are looking to the 1990 farm bill to further improve the net farm income of our members. We look forward to participating in future hearings on the next farm bill. I would be happy to answer any questions.

Reconciling generally accepted agricultural practices with our environmental and conservation goals has become one of the most significant challenges confronting farmers and ranchers. We want to know if certain practices or products cause problems. No one is more dependent on a healthy and safe environment than are farmers and ranchers who make their home and their living from the land.

Mr. Chairman, in keeping with the intent of this hearing, I would like to take the opportunity to share with you our thoughts and comments on the broader concepts of the farm bill and specifically on Low Input Sustainable Agriculture and Intergated Pest Management.

LOW INPUT SUSTAINABLE AGRICULTURE (LISA)

Farmers are cautious about LISA. They cannot afford to take big risks with a new and unproven technology. What does LISA mean? Does it really offer the promise that many claim--a safer, more economical and profitable way of farming? Or is it the latest fad? There is a genuine interest in learning more about it.

There are a number of impediments to low input agriculture. The lack of a clear and consistent definition is especially confusing. In my opinion, the term "low input" is not an accurate description. If it were as simple as reducing purchased inputs and reaping the rewards, it would have been in practice long ago. Furthermore, many of the definitions, including those in the bill, carry an overt anti-chemical bias, and imply or state that normal farming practices are unsound. Such connotations reinforce suspicions and suggest ulterior motives by those who promote them.

There is a considerable lack of site-specific, sound agronomic data and technical assistance available to farmers. This is what they need to make the necessary decisions relative to individual operations, crops and pest control needs. At best, much of the information is anecdotal and not easily or reliably transferred. Of particular importance is the question of whether the techniques are profitable and easily adaptable. As with any other business, the net bottom line will be the determining factor whether farmers accept any changes. Provisions seeking to induce participation in low input systems before necessary information and data are available are not acceptable. Much of this data is to be generated on a trial and error basis, rather than having it available to producers before they decide to enroll in the program. The availability of technical guides from USDA may provide some help, but I suspect there will not be enough agronomic research to provide the upfront answers and information that farmers need prior to making a commitment.

In my opinion, "low input" farming is still more a philosophy and spirit of farming than an easily defined set of practices. It should not be anti-science nor anti-pesticide. Rather it should use the best of today's technology, from IPM programs to biotechnology. The term "Integrated Farm Management" is a more appropriate description of this concept. It builds on and expands the philosophy utilized in Integrated Pest Management (IPM) to the entire farming system. It should be based on proven science and sound agronomic research and it should incorporate modern technology to the fullest.

As we see it, LISA programs represent a long-term goal for agriculture. There is a real danger in diverting funds from research on IPM and on Best Management Practices (BMP) in our enthusiasm to support the "latest solution" to all our problems. IPM programs have a sound scientific basis and a fifteen-year track record in both protecting the environment and maintaining agricultural viability. Yet, even with convincing evidence that IPM works and works well, farmers are still reluctant to adopt full programs.

Instead we find they prefer individual techniques from IPM programs that they can fit into their current production management operations. For example, they may decide to use crop rotations, pheromone traps or closer monitoring of pest populations.

It has been difficult to convince farmers to abandon proven techniques and replace them with information-intensive pest control strategies that are still evolving. Now LISA comes along without a definition and with only 2-3 years of hard science behind it. It is even more information intensive, labor intensive and site specific than IPM. Over one-half the farmers work off the farm. Will they be able to switch to a more labor-intensive management system? What we need right now are BMP's and more IPM techniques that can be incorporated into current farming operations. In other words, we would like to see a more immediate approach to environmental problems.

CAUTIONS FOR LISA RESEARCHERS

We do, however, need to proceed with research to determine if LISA systems are feasible for production agriculture. Researchers have been developing IPM programs for farmers for over 20 years and, based on the track record of IPM and production agriculture, we offer the following cautions to LISA researchers:

1. Define your terminology at the beginning. What do you mean by Low Input? IPM ran into snags when some people interpreted it as control without pesticides and others thought it meant simply better timed sprays.

2. Do your homework. Even though IPM researchers had enthusiasm and conviction, it took hard and fast figures showing a better bottom line to convince farmers to risk their income and switch to IPM. Some scientists have expressed concerns that Low Input Ag has an anti-science bias. We hope this isn't so.

3. Just because a production system is Low Input doesn't mean it's inherently less damaging to the environment. Nitrates from animal manures and legumes can reach the groundwater every bit as fast as nitrates from fertilizers. Groundwater quality should be monitored as you conduct your research in the field.

4. The idea of mixing animal and crop production systems is attractive but remember it won't work in every situation. Like IPM, Low Input Ag systems will be site specific.

5. The introduction of alternative crops and crop rotations is also an attractive solution. But we need to keep a few points in mind. Future farm programs will need flexibility to provide for both alternative crops and crop rotations. The impact of such changes on non-program crops and commodities (as well as the impact on the organic produce market which has been established and developed through private initiative and without government help) must be a major consideration. Not all farmers have the equipment necessary to make dramatic switches. And markets have to be researched carefully to make sure the farmer can sell the results.

6. Always keep in mind that the characteristics of any new technology can influence its rate of adoption. Farmers basically ask themselves six questions before they buy in to a new way of doing business:

   - Is the technology profitable?

- How complex is the technology? The greater the complexity, the slower the rate of adoption.

- How compatible is the technology? Is it consistent with the existing values, past experiences, and needs of the potential adopters?

- Can it be tried out on a reduced scale? In other words, can the potential adopter experiment with the new technology on a limited basis? This will greatly reduce the risk of inappropriate technology and the learning costs associated with any new practices.

- How big is the package? Remember that low input ag is a collection of management techniques, varying inputs, and information collection. This will be more difficult for the farmer to adopt than, say, an improved seed variety that represents stand-alone changes in technology.

- Does it have an obvious advantage? Are the results of low input ag readily visible to the adopter or others? You will need persuasive evidence to convince farmers to risk their income. Will it be consistent with a market-responsive agriculture that is export dependent and internationally competitive?

We need to keep in mind that both IPM and LISA are information-intensive management systems. In addition, they both require additional labor (for example, to monitor fields for pests, maintain a more diversified agriculture, etc.). These costs and adjustments have to be factored into any discussion about the practicalities of switching from conventional agriculture into "new wave" agriculture.

Farmers and their customers have become dependent on a high-input, high-output industry that consistently produces high quality products. If there is a way to reduce inputs but keep the high outputs, you will continue to have full support from both groups. If you reduce the inputs and jeopardize high output, you will have problems.

INTEGRATED PEST MANAGEMENT

In any discussion of reducing chemical inputs in agriculture, it is important to look at the successes attributable to Integrated Pest Management (IPM). IPM is a philosophy of pest control that tries to mesh together a variety of techniques to control pests in a sound and ecologically safe manner. Successful IPM programs rely on several pest control technologies, including the use of pest resistant plant varieties and the use of cultural practices that preserve predator populations and discourage pests. Pesticides are used precisely and sparingly.

Farm Bureau has had policy supporting IPM for many years. The current policy reads:

> We support the widespread promotion and use of integrated pest management (IPM) as a method of reducing costs, risks, liability and total dependence on farm chemicals. IPM can reduce the risk of output loss, the per-unit cost of production and liability from chemical damages. IPM is a defensible use of pesticides because it focuses use where problems have been identified.
>
> We encourage continued research and development of pesticides which degrade more rapidly, are less environmentally persistent and are compatible with accepted IPM practices. We support the removal of pheromones from the pesticide classification in order to permit, expedite and encourage their usage.
>
> We support increased biological pest control research to determine where biological pest control measures can provide practical and feasible substitutes for, and supplements to, chemical controls.
>
> We support a "beneficial insects" category in USDA's Competitive Grant's program.

Expanded educational programs are needed to encourage the widespread adoption of IPM. We recommend the addition of IPM instruction to pesticide applicator training programs.

IPM should continue to be a budget priority for USDA and land grant institutions. They should expand their research and development of IPM techniques on a regional basis."

This strong support for IPM from the nation's largest general farm organization is due to IPM's track record. IPM programs in production agriculture have demonstrated that farmers in these programs can reduce the amount of pesticides they need while still maintaining their ability to produce high quality crops for profit.

Some examples of successful IPM programs (taken from the National Coalition on IPM 1989 draft position document and the 1985 CES report on IPM and agricultural profitability) include:

- a cooperative industry-Cooperative Extension Service (CES) program developed for processing carrots in the Lower Rio Grande Valley of Texas reduced insecticide use by 66 percent (from 6 to 2 applications) without loss in yield or quality. The industry groups involved are Gerber Foods, Inc., and Campbell Foods, Inc. Similarly, within one year, the Texas IPM program reduced the amount of insecticide used on fresh market cabbage by 44 percent.

- a New York state CES IPM program reduced the amount of pesticide use on apples by 38 percent. The New York IPM program, working with onion growers, reduced pesticide use by 31 percent. IPM potato growers in NY reduced fungicide use by 21 percent and insecticide use by 7 percent.

- California almond growers, working with the University of California IPM project, have reduced total pesticide use by 37 percent.

- Gerber Foods, Inc., in cooperation with the Arkansas and South Carolina CES, funded a pilot peach IPM program which reduced insecticide use on peaches by 33 percent.

- Similar industry-CES programs are being conducted by Ocean Spray Cranberries, Inc., and the Massachusetts, Rutgers, and Washington CES to develop a comprehensive cranberry IPM program.

- Del Monte Corporation is working intensively with the University of California IPM project on processing tomatoes and a variety of other IPM projects.

- on filberts in Oregon, IPM growers reduced pesticide costs by 25 percent.

- in Washington state, IPM programs on apples were able to cut $330,000 in insecticide costs using a computer model to predict when to spray for control of codling moth.

- There are also outstanding examples of IPM successes on other major cropping systems.

- Insecticide use on cotton, grain sorghum and peanuts has been significantly reduced. In 1971 (pre-IPM), U.S. insecticide use on these three crops was 73.4 million pounds on cotton, 5.7 million pounds on grain sorghum, and 6.0 million pounds on peanuts. By the early 1980's, after ten years of IPM, insecticide use on cotton was reduced by 77 percent, insecticide use on grain sorghum was reduced by 56 percent, and insecticide use on peanuts had dropped by 83 percent. During this period, acres planted to these three commodities remained relatively constant. Not only was the total amount of insecticide reduced, but the proportion of acres treated was also reduced. The number of acres treated in cotton was reduced by 46 percent, in grain sorghum by 48 percent and in peanuts by 54 percent.

- Purdue University's IPM program for control of corn rootworm in Indiana has saved Indiana farmers approximately $7.6 million a year in insecticide costs and about 6.1 million pounds of insecticide that would otherwise be applied to Indiana soils. The primary IPM tactic for control of the corn rootworm is crop rotation (corn/soybean).

-- In Tennessee, IPM programs on soybeans lowered pesticide use by 50 percent, cutting production costs by $3-$10 per acre.

We strongly believe that the agriculture community should be given both the opportunity and the incentives to use Integrated Pest Management (IPM). A few months ago, the National Coalition on Integrated Pest Management was formed to support and advance IPM as a biologically and environmentally rational approach for pest control. The National Coalition on IPM is comprised of representatives from the food processing, agricultural production, nursery, seed, fertilizer, private agricultural consulting and pest control industries as well as farm and environmental organizations. Farm Bureau is an active member of the coalition. The goals of the coalition are to improve dialogue with governmental agencies and public institutions by working with the National IPM Coordinating Committee. The coalition would like to form a industry-government partnership to make agricultural producers and consumers aware of the positive benefits of IPM. This coalition represents a significant advancement for IPM research. For the first time, private industry, and particularly the food processors and marketers, have joined together to promote and encourage a specific philosophy of pest control.

Currently IPM suffers from the lack of funding and well defined goals. We have described 11 major areas in which steps could be taken to improve IPM research programs, accelerate technology transfer to farmers, and make IPM a national priority. We would like to enter our findings into the record along with our testimony today and we urge the Subcommittee members to look at them.

OTHER PEST CONTROL TECHNOLOGIES

Farm Bureau members also support the use of biotechnology to help solve environmental concerns. Biotechnology is not a science. It is a collection of techniques or tools that allow researchers to more precisely influence the exchange of genetic material or desirable traits in living organisms. Although not a magic bullet, some of these new technologies can fit smoothly into farming systems such as LISA and IPM. Some of the breakthroughs which may help farmers deal with environmental problems include the development of disease-resistant plants, plants with nitrogen-fixing capabilities, herbicide-resistant plants (focusing on environmentally safe herbicides), plants with weed-suppressing capabilities, insect-resistant plants, animal vaccines for insect-borne diseases, and enhanced microbial control agents to control insect pests, weeds, and plant pathogens (biopesticides). All of these possibilities will decrease our dependency on agricultural chemical inputs. In addition, the new technologies can engineer microbes to break down some of our more environmentally persistent chemicals.

Although our members feel agricultural biotechnology should be promoted to a national priority, currently, biotechnology labors under several constraints.

(1) Because biotechnology is unfamiliar to many people and not well understood by the general public, state and federal regulatory agencies are taking a very cautious approach. Currently, we are probably overregulating this industry. So far there have been no safety mishaps in 15 years of research. We need to be cautious as we take this technology into the field but we also have to recognize the need for field testing to develop the database our researchers need to determine if problems exist.

(2) Industry depends on patents to protect its research investments and attract private investors. The patent system has served our country well since 1790. We have to continue to support the Patent and Trademark Office in its attempts to keep up with these rapidly expanding technologies. At the same time, the situation with animal and plant patents has to be resolved. Our members support the use of patents to encourage private sector investment in agriculture. We want to work towards resolving any problems.

(3) Farmers are concerned with how consumers react to new technologies. We want to continue to provide the public with high quality, low cost food. Education will play a critical role in determining how consumers react in the next decade as we begin to utilize these new technologies.

(4) All farmers should have an equal opportunity to incorporate biotechnology products into their farming operations. We now know quite a bit about how and why farmers adopt new technologies. Farmers that are first in line to try out new products tend to own commercially successful large-scale, specialized farming operations. They are sophisticated financial managers and they look at farming as a business rather than a way of life. They are well educated, highly motivated, willing to take risks, well connected to communication networks, and efficient farm and business managers. In addition, farmers who respond well to biotechnology are younger than the average farmer (who is 52), better educated, newer to agriculture, and farm more acres with a higher gross income than the average farmer.

If we want all farmers to have an opportunity to use these newfarming systems, we must assist limited resource farmers to expand their management skills. For farmers who don't fit the early adopter profile, it will be important that we make an extra effort to make sure they have access to the resources needed for successful adoption of innovations.

BEST MANAGEMENT PRACTICES

Best Management Practices (BMPs) are techniques or practices that farmers can adopt to minimize the potential for environmental contamination in their farming operations. The first step in dealing with problems on the farm is to find out if and where problems occur. To this end, the American Farm Bureau Federation published an environmental checklist in 1987 designed to be used on the farm to identify potential environmental risks. The checklist is about 16 pages and takes farmers through their operations step by step, highlighting potential problems and suggesting solutions. Our county Farm Bureaus are encouraged to hand the checklists out during meetings held specifically for that purpose. County extension agents or other specialists are usually on hand to answer questions. The checklist can be modified to fit unique state or even county conditions such as Karst topography or particularly vulnerable soil types. All of our member states have used the checklist to some extent and currently 14 states have reprinted the Self-Help checklist themselves and distributed it. As of June, 1989, well over 300,000 of the "Farm Bureau's Groundwater and Environmental Quality Self-Help Checklists" had been distributed.

State Farm Bureaus are involved in other projects as well that demonstrate our members' concerns about and commitment to protecting the environment. For example:

– Fifty five county Farm Bureaus in Indiana conducted nitrate testing projects as part of their county fair exhibits in 1988.

– The Ohio Farm Bureau has been part of a cooperative nitrate testing program with Heidelberg College and other groups. As of April, 1989, 76 of Ohio's 88 counties participated and 16,166 wells were tested. Ninety-seven (97) percent of the samples were less than the nitrate drinking water standard. And 68.2 percent showed no nitrate contamination at all (<0.3 mg/l). In Ohio, nitrate detection does not correlate well with agricultural land use according to Dr. David Baker of Heidelberg College. What they did seem to find is that certain hydrogeologic areas seem to be more vulnerable than others. Within those areas, shallow, older wells were more likely to show nitrate contamination. Nitrates from septic tanks also were a significant contributor.

– The Mississippi Farm Bureau is involved in a pilot program to dispose of pesticide containers in one of its largest agricultural counties starting the summer of 1989. The Oregon Farm Bureau helped initiate a voluntary disposal program for empty pesticide containers back in 1984 along with the Oregon Agricultural Chemicals Association.

- The Pennsylvania Farmers Association is offering a nitrate test kit to members for $4.00. Montana Farm Bureau is working with Extension to develop an education and well testing program. Kansas Farm Bureau initiated a well testing program with a private lab. Illinois has worked with their state veterinary lab to offer pesticide testing of well water on a limited basis.

- The American Farm Bureau Federation initiated its own Conservation Tillage Action Plan in 1983. It is designed to encourage state and county Farm Bureaus to take a more active role in promoting conservation tillage. County Farm Bureaus in South Carolina, Tennessee and Indiana contributed funds or time to set up demonstration and equipment rental programs for conservation tillage equipment. The Ohio Farm Bureau, Soil and Water Conservation Service, Extension, and EPA are working jointly to promote a conservation tillage program with Ohio farmers. The group is interested in developing economic incentives to encourage farmers to adopt conservation tillage practices. The Utah Farm Bureau is spending this entire week (June 19th) working with SCS and Extension in a series of Conservation Tillage and Soil Compaction Workshops in an effort to reach its members.

- Over 1,000 copies of AFBF's booklet "Farm Partners, Have You Hugged Your Soil Lately?" have been distributed. Also, over 40 sets of a slide show illustrating the program have been distributed. The material takes a systems approach to soil compaction, erosion and protective soil cover. The workshop includes actual field experience and stresses cooperation with local extension and soil and water experts.

- The state Farm Bureaus in North Carolina, South Carolina and Virginia initiated and helped pass state laws allowing tax credits for farmers who purchase conservation tillage equipment.

- The Oregon Farm Bureau developed a pesticide container disposal program.

PRODUCTION ADJUSTMENT

We must carefully evaluate the extent to which other ongoing programs and projects of the federal government need to be changed to accommodate goals of new systems such as LISA. In this time of limited budgets for new programs, approving additional agricultural program expenditures in one area will mean finding offsetting savings in another. This exercise will require establishing priorities that will include difficult choices. It is not enough to support good programs; we must select to pursue only those that are the best for the value of the scarce resources that can be devoted to them.

We must proceed cautiously in proposing modifications to traditional farm program policies as a means of promoting these alternative practices. In considering changes, we must ask three questions:

(1) What is the direct budgetary impact of a new program? Since most of this expenditure will need to be offset by agricultural program spending reductions, we must consider where the funds will come from.

(2) What kinds of costs will be imposed on farmers? In some cases additional costs will only be borne by those farmers who elect to participate in the new program. In other areas requirements on all farmers to implement a new practice will add to costs of production generally and may hinder our ability to produce in a highly competitive market.

(3) What kind of impact will changing farming systems exert on the interrelated markets for competing and substitute commodities? Providing government encouragement to shift production resources to new uses will nearly always have a negative impact on producers of other commodities that currently have a market niche. While some changes may be encouraged despite these consequences, it is important to know what these indirect effects will be.

Production adjustment programs encouraging greater use of conservation measures like the LISA systems must be evaluated in the context of the above criteria.

Allowing farmers to plant up to 40 percent of their permitted acreage to legumes or a small grain/legume mix while retaining the base history would not entail significant budgetary expense or add to the cost of farm program participation for the producer.

However, commodities grown on this program crop acreage will be marketed in competition with commodities that operate outside the authority of government farm programs. The forage will eventually find its way into the market in the form of hay, silage, meat or dairy products.

Even though direct payments are not made to producers on the acreage shifted into the legume crop, the preservation of the base history extends benefits that will encourage additional competition and possibly lower prices for the commodities produced by certain farmers and ranchers. Undoubtedly, those producers will believe that the extension of the base history for program crop farmers is unfair and inequitable if the market for their commodity is adversely affected.

The issue of permitting production of nonprogram crops on crop acreage base has been raised in Farm Bureau voting delegate sessions and in meetings of our Board of Directors. Our members currently favor a limited amount of flexibility to permit shifting of up to 10 percent of the farm acreage base from one program crop to another with the possibility of including soybeans and other oilseeds eligible for the shift. The nonprogram crop producers who make up a large segment of our members have convinced our leaders to oppose allowing production of nonprogram crops on base acres.

Producers are being asked to plant a full season vegetative cover crop (or a legume cover crop) on all program acreage required to be devoted to conservation uses. This will increase both direct federal budget costs due to cost sharing expenditures and increase the cost of participating in the programs for the individual farmer. Also, there are agronomic and entomological impacts to consider with such an increase in large crops.

The source of funds for the cost sharing will have to be redirected from other program payments. We are concerned that the benefits of such a provision may be minimal for land that is flat and not subject to erosion. If this provision is retained in the bill, the requirement and the cost sharing should be modified to apply only in instances where erosion would be a problem in the absence of this authority.

The vegetative cover crop requirement will discourage participation in farm programs because of the additional cost of planting these commodities. While this cost by itself should not force many farmers out of the program, it would be imposed at a time of decreased program benefits and increasing producer obligations under the program. As a result, some farmers will choose to farm without the farm program benefits and requirements. This may have the ironic effect of diminishing the conservation objectives.

The use of multiyear set-asides is closely tied to the issue of expanding the Conservation Reserve Program. This will be addressed at a later hearing, but there are several points that should be kept in mind. The use of multiyear set-asides must be considered with a clear understanding of what the demand for the program commodities will be over the course of the next three to five years. Our economic analysis indicates that even under several different sets of assumptions, demand for these products will necessitate lower acreage reduction requirements than have been required during the last four years. Idling large acreage through long-term or intermediate-term contracts could create shortages of supply which will lead to loss of markets for U.S. agriculture. We are very concerned at the prospect of requiring 30 percent of the land set-aside under the programs to be committed to three- to five-year contracts. This would not permit the adjustment that will be necessary to respond to the volatile conditions characteristic of the global agricultural market.

If multiyear set-aside contracts are offered, they should be limited to an amount of acreage that would be less than the minimum amount of set-aside projected by USDA over the period covered by the contract. In making the estimate, USDA should be required to use assumptions that anticipate the strongest demand reasonable. These set-aside contracts should only be offered as part of the entire package of production-oriented acreage reduction programs rather than as a program designed to achieve additional acreage retirement.

The conditions under which the Secretary may waive the provisions of the contract should be amended to include instances where the percentage of acreage enrolled in the multiyear set-aside contracts exceed the amount of acreage that would otherwise be projected in the annual land retirement programs. In addition, producers may need to be limited in the percentage of the farm acreage base that can be enrolled in the multiyear set-aside.

AGRICULTURAL RESEARCH

Finally, there is a pressing need for more agricultural research to answer many of the questions that will allow agriculture to be competitive in world markets and responsive to environmental concerns. The National Academy of Sciences Board on Agriculture recently proposed a $500 million competitive grants program within the USDA to revitalize agriculture. If given equal status with the other agencies within the USDA, these novel awards for agricultural ingenuity could go a long way in helping farmers cope with the increasing complexities of farming. We hope that Congress will give serious consideration to this proposal when it is presented.

We thank you for this opportunity to express our views. We appreciate your efforts and look forward to working with your committee.

Oregonians for Food and Shelter

567 Union Street, N.E.
Salem, OR 97301
370-8092

BOARD OF DIRECTORS

Cathy Baldwin
Willamette Industries

Dee Bridges
Boise Cascade

Jerry Butler
Stayton Canning Company

Bill Egan
Oregon Association of Nurserymen

Mark Hansen
Oregon Agriculture Chemical Association

Jim H[illegible]s
Oregon Wheat Growers League

Ken Iverson
Oregon Farm Bureau Federation

Hobe Jones
Wilbur Ellis

Jim Mischkot
Glass Spray Service

Jane Newton
Tree Farmer

Norm Parker
Pacific Northwest Aerial Applicators Assn.

Jim Peters
Far West Fertilizer Assn.

Earl Pryor
Pryor Land & Livestock, Inc.

Jim Rombach
Weyerhaeuser Company

Rick Sohn
Lone Rock Timber Company

Dick Stonex
Lon[illegible] Fiber

"For balance in facts about pesticides"

August 29, 1989

TESTIMONY BEFORE
U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
SUBCOMMITTEE ON WHEAT, SOYBEANS & FEED GRAINS

RE: FORMULATING THE 1990 FARM BILL

BY: TERRY L. WITT
EXECUTIVE DIRECTOR

Oregonians for Food and Shelter (OFS) thanks you for the opportunity to comment on the formulation of the 1990 farm bill.

OFS is a grass roots coalition representing more than 20,000 concerned citizens, farmers, foresters, ranchers, businesses, and organizations who live or operate in the State of Oregon. We are guided by a simple philosophy -- agricultural chemicals (pesticides and fertilizers) when used properly are beneficial and often essential tools for the production and protection of our food, forests, health, homes and economic well-being.

OFS objectives, unchanged since first organized in 1980, are equally straightforward: (1) to educate all publics with balanced, accurate facts about pesticides; (2) to promote safe, proper and responsible, labeled uses only; and, (3) to help ensure that regulatory and decision-making processes do not unnecessarily restrict a person's right to responsibly use pesticides. It is to these areas of special concern that I will focus my comments today.

As stewards of the land and managers of our environmental resources, our members truly understand the need for a "balanced eco-system" approach -- one which maintains a practical balance between ecologic and economic parameters within policies impacting the production of food and fiber in our country today.

I would hope that four basic requirements will be met when formulating the 1990 farm bill: (a) the scope of the bill be limited to avoid duplication and unnecessary overlap with existing regulations; (b) that provisions within the bill be economically justifiable; and, (c) above all, that the measure be based on sound science and practicable technology.

For example, two specific concerns are the potential inclusion of restrictions on the use of agricultural chemicals and ground water protection requirements.

The Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) regulates registration, labeling and use of pesticide products in the United States. This dynamic regulation establishes the legal uses for each pesticide, requiring the registrant to provide data sufficient to show that the pesticide "does not pose an unreasonable risk to man or the environment when used for its intended purpose." The label is the law and any futher regulation of pesticide use should be done through amendments to FIFRA, as was done in late 1988.

Likewise, the Federal Food, Drug and Cosmetic (FDC) Act establishes a tolerance-setting process for residues in foods which stipulates that they are to be set at levels deemed necessary to protect the public health, while taking into account the need for an "adequate, wholesome, and economical food supply." Many proposed amendment concepts are being discussed for the "food safety" or "Delany Clause" issues. Regardless of ones position, keep these separate from the 1990 farm bill.

And a variety of federal and state clean water acts and programs exist to control and protect water quality from both point source and nonpoint source pollution. Oregon, for example, just passed an extensive Ground Water Protection Program which will proactively seek the best practicable alternatives to minimize the impact of agricultural, industrial and urban activities on ground water quality. It is based upon education, research, and sound scientific data. Do not merge ground water into the farm bill.

There will be, however, those who will attempt to use the 1990 farm bill as an instrument to achieve their own special agenda. In the Pacific Northwest we have seen the ravishing outcome of such manipulations or "monkey-wrenching" with the Federal Endangered Species Act and the Northern Spotted Owl. Preservationists are using it and other regulations as a surrogate to stop the logging of old-growth timber, resulting in the loss of billions of dollars to the timber industry. We all witnessed the Washington D.C. legal group, the Natural Resources Defense Council (NRDC) use bad science, Meryl Streep and television's "60-Minutes" to almost destroy the entire U.S. apple industry for the sake of their own publicity and quest for contribution dollars. We cannot let this happen to the farm bill.

Please pay particular attention to these and other types of special interest attempts to further restrict agriculture's ability to do business in an efficient manner. Keep the 1990 farm bill on track for its intended purpose, and maintain clear distinctions between it, FIFRA, FDC, clean water programs and other regulatory laws.

There are some who believe we should track down chemical residues in our air, water, soil and food to the parts per billion, parts per trillion, and even parts per quadrillion level in an attempt to make our environment risk free. Those who understand science, however, know that reaching zero risk is impossible. Blindly chasing an unattainable goal is not only a tremendous waste of our limited resources, but also focuses attention away from higher priority issues which do warrant corrective action.

Many would have you believe your goal is to minimize agrichemical use at all cost, regardless of benefits lost. The correct solution is to develop a program which maximizes the most efficient and ecologically sound use of all integrated technologies -- biological, mechanical, cultural and chemical. Anything less and we not only short change the American farmer, but also the consumer.

As policy-makers within the agricultural industry, we must have the fortitude to speak out against programs which are based upon public misperception and politics if we are to maintain our role as the world leader in the production of high quality, affordable, food and fiber. I ask your help in ensuring that the 1990 farm bill does the same.

# # #

Testimony of Richard Eymann, President of Pacific Northwest Farmers Union

Thank you Mr. Chairman. I wish to welcome you and the members of your committee to Oregon. My name is Richard Eymann and I am a farmer from Springfield Oregon. I farm 240 acres with my 29 year old daughter Penny. We raise sheep, grow hay and oats, and do some logging. I am the President of the Pacific Northwest Farmers Union, and I am speaking on behalf of the 1000 farm families who comprise our membership.

The 1985 Farm Bill was designed to be a market-driven bill, and the provisions of that bill, including the Export Enhancement Program (EEP), along with the past two years of drought, have left us in a very different market position from 1984. Recognizing this and the importance of exports to this area, we encourage you to take this opportunity to design a 1990 farm bill that will ensure domestic needs, promote export growth and meet reserve needs, without creating excessive surpluses.

Although the drought produced an unusually low supply of some grains, it should not be seen as a decrease in the American farmer's ability to overproduce. Therefore, Farmers Union opposes any attempt to limit the acreage allowed in the Conservation Reduction Program (CRP) or to reduce the Acreage Reduction Program (ARP) below reasonable levels.

Additionally, we support expressing base for the 1990 farm bill in terms of units of production, rather than acreage. The USDA can more accurately estimate program costs, and the farmers can more sensibly plan their land use. We also support a return to the flexibility of a normal crop base instead of the commodity-specific bases used in recent years. Farmers should be able to use sensible crop rotations without losing base, and they should be able to respond to market needs. Decisions as to the percentages of base to trade among commodities should be left at the local level of ASCS.

Beyond ensuring that domestic needs are met, Congress must work to expand our export markets. The Export Enhancement Program (EEP) has been effective in allowing the United States to compete in the world wheat market. However, we cannot indefinitely sustain that level of program cost. In addition, although the EEP provides a direct benefit to the multi-national graintrader, it does little to enhance the income of the grain farmer.

Rather than continue to rely on the use of EEP, we must work to develop new foreign markets. It is encouraging to realize that several of our top cash customers were formerly countries which received subsidized U.S. products under PL480 (Japan, Mexico, South Korea, West Germany, Taiwan, Spain, and Egypt). Farmers Union believes that long-term multi-lateral agreements would allow us to further develop the potential for new trading partners.

Weather-related disasters the past two years pointed out the need to have a reserve. Suddenly the so-called "burdensome" supluses from past years turned out to be the much needed safety net, both for the U.S. and other countries. It is clear that some reserve is necessary. However, we must plan for how much should be held in reserve and negotiate who is responsible for maintaining a world reserve. Multinational negotiations should include a consideration of these issues.

More than just market conditions have changed since 1984. The political environment is different. In 1990, we must operate in the context the Super 301, the Canadian Free Trade Agreement, and the Uruguay Round of GATT.

Farmers Union supports measures to achieve fair terms of trade, such as Super 301 which mandates action against those countries who use unfair trade practices. Others believe that less government is better, with the free market as their ultimate goal. I do not subscribe to that belief. It is unrealistic to expect the U.S. producer to survive in a marketplace where competing governments are willing to protect their agricultural sector through the use of subsidies and tariff restrictions.

Instead, we must adopt bilateral and reciprocal trade arrangements, beginning with those nations with whom we have deficits. If negotiations fail, we could require countervailing duties or quotas on nations which have consistent trade balance surpluses with the United States. These duties or surpluses could then be eliminated as access to their domestic markets was allowed for U.S. agricultural products.

Unfortunately, our ability to use these practices with Canada, which is an important competitor for grain producers in our region, has been restricted by the adoption of the Canadian Free Trade Agreement.

Now we must be careful not to let the General Agreement on Tariffs and Trade (GATT) negotiators further tie our hands on trade policy. Agricultural policy must be decided in the United States, by our congressional members, who will fight for our producers. Further, any trade agreement unduly restricting the United States Congress' power and authority to foster and promote the agricultural economy of the United States would be contrary to the economic security policy of this nation.

Although GATT has been slated for fast track treatment by Congress, we would request that a resolution be passed to allow the agricultural title to be voted on separately from the other GATT provisions. We believe a separate vote is in order due to the unique and inherent differences between agriculture and other industries being affected under GATT.

Thank you for the opportunity to present our views. I would be happy to address any questions you might have.

HOUSE AGRICULTURE HEARING
1990 FARM BILL
AUGUST 29, 1989

Oral and Written Testimony
by
Merlina Tate, Washington State
2nd Vice-Pres of Women Involved
in Farm Economics - W.I.F.E.

Thank you Mr. Chairman and Committee Members.

I am Merlina Tate, an Officer of Washington State W.I.F.E. and Junior Past National Resolutions Chairwoman. My husband and I farm 3000 acres of dryland wheat in Almira, Wa. We are located about 30 miles South of Grand Coulee Dam in a very dry 8-10 inch rainfall area.

W.I.F.E. is an organization of Farm Women who are extensively involved in their own farm operations or farm related businesses and work diligently for prosperity in agriculture and the nation through education, communication, legislation and cooperation.

I am pleased to have the opportunity to speak to your committee on behalf of W.I.F.E. which strongly supports the principal that farmers should not be pitted against each other or support any Farm Program that harms one farmer while helping the other. Learning about each other's commodities and special needs at our National Meetings has been a tremendous asset to our Organization. I know W.I.F.E. members from other commodities and areas will or have already testified before your committee, therefore I would like to speak to you specifically from the Washington State Big Bend dryland farmers point of view so that I can be more specific about how Farm Programs affect this segment of Agriculture. Alice Parker, our National President is an irrigated farmer from Washington State. Her testimony was given at the July 12 hearing.

W.I.F.E works for prosperity in Agriculture. Not just squeking by one more year, or hanging on by a thread. Our nation will benefit best by a strong Agriculture that is a viable business capable of attracting our young people. We are beginning to see in the Soviet Union, Poland, and many other nations how important politically it is to feed the people. Because the United States has done this so well there is a threat that the farmer will be taken for granted and a feeling that Agriculture is indestructible no matter how poor it's income, or how capricious the chemical scares, or how expensive the environmental regulations. Agriculture cannot always bounce back, Agriculture needs the opportunity to survive and prosper.

Net Farm Income = (production x price + government payments) - (expenses + capital outlay + taxes). Each factor of the formula has its effect and will need to be evaluated in the 1990 Farm Bill.

The 1985 Food Security Act contained several programs which increased the Farmer's Cash Flow and were constructive solutions to difficult problems.

1) W.I.F.E. supports a strong EEP program. Other countries that we compete with for grain trade use government programs to keep prices competitive. The EEP program moves our product.

2) W.I.F.E. supports the CRP program and encourages farmers to stay in the program. CRP removes from production acres that, because of their quality and erosion potential, are acres that take extra care and carry the highest cost of production figures. CRP acres do conserve the soil and provide an excellant wildlife refuge while maintaining a fair cash flow to the farmer. It is a program which preserves our farmers and their soil.

3) W.I.F.E. supports the CERTS program. The farmer was able to market his reserve crops, therefore reducing the surplus and increasing his cash flow. Farmers not having reserve crops could market their CERTS for cash.

4) W.I.F.E. supports the Target Price concept but opposes continued lowering of the Target Price level.

W.I.F.E. supports a finely tuned supply management program, where farmers can neither build or lose base. The dryland farmer in a limited rainfall area like we are can raise basically only one crop - wheat. To this date, alternatives such as rape, sunflowers, etc have been only partially successful. When the diversified farmer raises wheat solely because his banker says he has to for cash flow, the dryland farmer suffers. We support some type of 0-92 program that allows the diversified farmer to maintain his base and not have to grow a program crop if it is not needed in his normal rotation. Prevention of building stockpiles that depress grain prices should be an important part of the 1990 Farm Bill.

W.I.F.E. strongly supports H.R. 2973 introduced by Rep. Marlenee and feels it should also be a part of the the 1990 Farm Bill. HR 2973 allows a spouse who is actively engaged in providing management or labor to a farming operation to be eligible for a farm payment limitation as a "separate person". W.I.F.E. fully recognizes that the spouse should meet the same qualifications of any person or relative qualifying for a "person status" for the purpose of a payment limitation. Having met such qualifications it is only fair and equitable that a spouse be treated the same as any other person or relative.

W.I.F.E. is very concerned about the quality of life in Rural America. We are losing our local businesses at an alarming rate. Medical care is diminished due to the increased costs of malpractice insurance. We now travel 30 miles to the nearest equipment dealer instead of the 10 miles to Almira that it used to be. We no longer have a local grocery store, banking is now provided only by a credit union that doesn't handle Agricultural loans and is open only two hours per day. Our local school is considering merger with a school 20 miles away. Our local roads are riddled with pot holes and washboards because much of the grain is transported by semi rather than rail. W.I.F.E. believes that Rural Development is essential and it should be centered on Agriculture and value added Agricultural products. W.I.F.E. has long been an advocate of Ethanol fuels, and since now it has been proven that use of Gasohol can reduce Carbon Monoxide emissions by 1/3, development of the Ethanol industry could benefit both rural areas and our polluted cities.

Prior talk about the 1990 Farm Bill has been centered around environmental concerns. W.I.F.E. has long strongly supported safety on the Farm and in recent years has emphasized the safe and careful use of all chemicals. We are highly concerned about the quality of our environment and do not want to do anything to endanger ourselves, the earth, or the people we feed. W.I.F.E. fully supports any measures needed to ensure this safety. W.I.F.E. opposes any careless, uneducated attacks on farmers and their farming practices. The whole environmental issue cries for facts, good information and education, and the careful correction of polluting factors. The Alar scare and the way it was handled by the media and the lack of strong defense by government agencies that should have known the true facts was more scary than the threat of fire, flood, and drought to the farmers of this nation. We are petrified at the thought of having our farming operations ruined by hysteria not based in fact.

My friends from the city talk with romantic euphoria about how we should produce our crops without chemicals and fertilizer. They picture the grain bountifully bursting forth with little care and tending. What I picture is the area we farm and how it was 40-100 years ago without fertilizer and without chemicals. My father-in-law told of 10 Bu. to the acre yields, of having the mustard so thick in the wheat that it would seem you could shake a plant on one corner of the field and the whole field would move, of rod weeding so many times in the summer fallow year with so little straw in the ground that dust storms would move enough soil to cover and close roads, and of vast erosion during flash floods.

In the 30 years that my husband and I have farmed our main goals were to increase the tilth of our soil, increase yields to reduce cost of production per unit, and to conserve our farmland and our ability to farm for future generations. This was accomplished only through the most up-to-date farming practices that we could use. Fertilizer allowed the wheat plants to stool and develop valuable straw that was carefully incorporated back into only the top of the soil through trashy fallow practices to provide humus and reduce water and wind erosion. The use of chemicals aid in the control of weeds, disease, and pests. One only needs to see a skip in the field to imagine how bad our fields would be without the use of chemicals. We believe it is the responsibility of the chemical companies to provide safe effective chemicals, it is the role of the government to license only that which is safe, and it is the responsibility of the farmer to use only according to label instructions. This we believe can be done without threatening a ban on all our valuable chemicals and fertilizer. We do not believe judiciously used they are a threat to underground water, to the consumer, or to the farmer. There is much talk about LISA Agriculture at this time. I am not sure what that means, but at our house great debate goes on for each operation as to wether it is needed and which method will give the best results. To this date, we have always found that if you don't put on the proper amount of fertilizers, and don't use the chemicals and tillage necessary to control weeds, diseases, and pests; you end up with a long term problem that reduces future production and costs more to correct at a later date. This past year was a perfect example. We had severe winter kill. Farmers in our area that did not reseed this spring harvested 10-17 Bu./Acre or less and had so much cheatgrass they will forever be fighting for control of this terrible weed. They certainly practiced low input farming. Farmers that sprayed with round up, worked their fields, and seeded Spring Wheat with a starter fertilizer harvested 35-40 Bu Spring Wheat, have adequate straw to incorporate back into the field for next year, and do not have a severe cheatgrass problem. My husband and I have tried to determine how we can use less chemicals. If we overtill the soil we destroy the precious straw and are vulnerable to wind and water erosion. If we let the weeds grow we are embarrassed to drive by our fields.

We strongly support the ACP Cost-share Program. We have installed 9 soil conserving dams on our farm and many in our area have put in terraces and participated in ACP practices and projects.

I only go into this much detail on our farming operation to try and impart to you a feel for the farmer's perspective. We are always open to better and safer methods and have great confidence that if the need is there someone in our great nation can develop a better way. But, in the mean time, please do not willy nilly think that Agriculture can survive, or that the consumer would be more healthy, or that crops can be produced for less without fertilizer and chemicals. It just ain't so. Our trip to the Soviet Union in 1987 was a clear demonstration that fertilizers, chemicals, and equipment are necessary to Agriculture.

We are just as concerned about the pollution of our world by the cities and industry as the cities seem concerned about us. I guess it is always easier to point a finger at someone else. This summer we dug up our underground fuel storage tanks and installed them in a cement pit. This cost us just over $14,000 to prevent any leakage of fuel into our environment. New EPA regulations require this or very expensive insurance. We are 2 miles from our closest neighbor, and 60 miles from a town of any size, with an 8-10" rainfall it would take a very long time for a spill to reach the groundwater. Somehow I kept thinking, we are doing this and at the same time I am hearing about Valdez oil spills, about oil train cars being dumped into a lake, about raw sewage going into our coastal regions, about medical waste being washed up onto our shores, about ECOS and REBANCO wanting to store hazardous waste in our Agricultural countryside. Somehow the 1990 Farm Bill needs to work very hard at putting in proper perspective and in the proper risk/reward ratio any environmental controls.

The 1990 Farm Bill needs to build a framework whereby the farmer has the opportunity and responsibility to produce safely and efficiently at a profit to himself and a benefit to the American people.

On behalf of W.I.F.E. I want to say Thank You for giving us the opportunity to voice our concerns and ideas with you today.

I would be glad to attempt to answer any questions you might have.

IDAHO RURAL COUNCIL
Box 88 / Carey, Idaho 83320
208-726-4553

TESTIMONY FOR HOUSE AGRICULTURE WHEAT AND FEED GRAINS SUBCOMMITTEE
HEARINGS ON THE 1990 FARM BILL
SUBMITTED BY THE IDAHO RURAL COUNCIL, PAM BALDWIN, PRESIDENT
SEPTEMBER, 1989

On behalf of the Board of Directors of the Idaho Rural Council, a statewide family farm organization, I respectfully submit the following testimony for the record.

During the nineteen eighties, our agricultural policy completed a shift that now provides greater advantages to wealthy multinational corporations at the expense of family farmers. The results have been devastating for rural America. Nationwide more than half a million farm families were forced off the land. Over 100,000 rural mainstreet businesses closed. Tens of thousands of rurals school and churches shut down and 661 rural hospitals ceased operating. In Idaho over 5,000 farms, more than one-fifth of our farmers (based on the American Bankers Association figures) have gone out of business since 1985. These figures show that the experiment with low commodity prices has been a mistake.

Meanwhile large food processing and exporting corporations found a very favorable policy climate. Their profits rose dramatically. ConAgra, for example, increased profits from $24 million in 1980 to $147 million in 1987. The food processing and exporting industry generally enjoyed an average return on capital a full 3 percent higher than the U.S. industry average.

As Congress begins writing the 1990 Farm Bill, the corporate giants have hoards of lobbyists demanding no change in the 1985 Farm Bill. The family farmer is vastly under-represented in this power play. We must count on our elected representatives to listen carefully to the voices of their constituents.

Many of the most ardent advocates of low loan rates claimed high prices in 1988 as a policy victory for the 1985 Farm Bill. In reality, high prices were brought about by the drought. There has also been a mistaken belief that by reducing prices our country could capture a larger share of the world export market. In 1986, the year of lowest prices, we also had the lowest amount of exports.

Congress must recognize farming as a business which, like any other, cannot survive while selling their goods for less than the cost of production. This is the most readily acknowledged fact in the business world. While surveys confirm the public's support for the family farm system of production agriculture, current farm policy falls short of establishing a price support which, in fact, would "support prices" at a level which covers the true cost of production.

The proper role of government in the economy is to establish a level playing field. Government is willing to do this as it relates to other industries, so it should be sensitive to the fact that the main five multinational grain trading companies have monopolistic power in the marketplace. There is no competition in the countryside for the purchase of grain from farmers. Therefore, legislative remedy in the form of a support price is essential.

If Congress is not serious about establishing a price suppoort mechanism in the 1990 Farm Bill which will cover the cost of production including labor and a return on investment, then it is NOT serious about the survival of the family owned and operated farm.

OREGON WHEAT
OREGON WHEAT GROWERS LEAGUE
[illegible] S.E. 10th • P.O. Box 400
Pendleton, Oregon 97801
Phone (503) 276-7330 (24 hrs.)

FARMERS . . .

The smallest minority in the United States

3% of our population

- Yet they are the most efficient of any segment of our society.
- They have increased production per worker when everyone else has reduced production per worker.
- They produce more jobs per worker than any other industry — approximately 18 to 1.
- They generate over 50% of the new dollars each year by their management of renewable resources, capital and production practices.
- They feed 116 other people per worker.
- They have done more conservation than anyone else for less money than all the rest of society combined (examples):
  - planted over 21 million acres of woodland
  - through water control, prevented over 17 million tons of sediments from going into our streams, lakes and reservoirs
  - Revegetated over 17 million acres of rangeland
  - healed over 285,000 miles of stream bank
  - planted over 16 million acres of wildlife habitat
  - through the growth of green crops they assimilate more oxygen and purify more air than all other people or industries or groups
  - they use less than 4% of our energy
  - through property taxes provided the major finances needed for schools and roads during the 19th century and early 20th century.
  - changed the wilderness of the United States to an inhabitable land.

In conclusion, 97% of the U.S. population is dependent on 3% to provide food, fiber, 50% of the outdoor recreation, 70% of the food for wildlife, 60% of the open space and to carry out the conservation programs on 70% of the land.

Compiled by:
Arleigh Isley
Oregon State University Extension Service
Wallowa County
June, 1989

The Record shows Landowners Have Done More for Environment and Wildlife Than Any Other Group.

As of 1985 the following had been accomplished:

1. Three million acres have been diverted from crop land to wildlife habitat.
2. Over 72% of all wildlife food is provided by private landowners.
3. Irrigation distribution systems provide over 175 million yards of waterway and habitat for waterfowl. Drainage from irrigated lands have created in excess of 750,000 acres of swamp or wetlands in the western U.S. Riparian areas associated with irrigation canals extends over 250,000 miles.
4. Over two million ponds and 325,000 reservoirs have been constructed providing water for livestock and wildlife. These provide over 15 million visitor days of recreation annually.
5. Wildlife habitat has been improved on 21½ million acres.
6. Twenty one million acres have been planted to trees.
7. Seventeen million acres of rangeland has been seeded.
8. Watershed projects hold over 17 million tons of sediment out of streams annually.
9. More than 55 million acres are contour farmed.
10. Over 20 million acres are strip cropped to prevent erosion.
11. Over 20 million acres of cropland has been converted to grassland and 3.5 million to forest.
12. Agriculture is the only major industry that has increased worker efficiency the last 10 years. Currently one agriculture worker produces enough to feed 116 people.
13. Farm exports — 37 billion — only segment with a positive import-export balance of payments.
14. Over 50% of all recreation occurs on private property — about 75% of that on agriculture land.

In the last 55 years over two million individual farmers, ranchers and forest product producers have carried out conservation and environmental improvement practices on over three quarters of a billion acres. Space limits listing all their accomplishments, but some must be noted.

Source: ASCS annual reports 1936-1985
USDA handbook 1972
SCS annual reports 1940-1985

OREGON WHEAT
OREGON WHEAT GROWERS LEAGUE
306 S.W. 10th • P.O. Box 400
Pendleton, Oregon 97801
[illegible]

Peck and Son
Clarks Canyon Road
Lexington, Oregon 97839
August 29, 1989

Congressman Dan Glickman
Congressman Ron Marlenee
Congressman Bob Smith
Wheat sub-committee, U. S. House Agriculture Committee

Dear Sirs:

Currently, increasing government regulations are making farming more difficult. Freedom to farm is most important. We can produce the raw products for food, and in adequate supply, if government interference does not stall the process through controls and frequent required reporting to both ASCS and SCS.

We want to be able to grow wheat, as much as the market can absorb, and till and conserve the soil by experience-proven methods. Erosion is not a problem on this farm. Intruding CRP weeds from the neighbor's grass plantings have created new problems for us and ASCS has not enforced the in-place regulations. A new or amended bill should correct problems in the application of present bill as administered by ASCS and SCS.

It stresses us to find that our entire farm is classified as "highly erodable"--every acre. This is not true, but enables ASCS to dictate terms that we cannot live with. Every farm is unique and the farming practices should be decided by the farm operator, not by a "blanket" law administered by bureaucrats. The title "Food Security Act" is deceptive--sounds great to the urban population, but the regulations are going to eventually destroy the food supply. We favor less regulation--not more in a new law.

We have been farming and living on this land for 44 years, and it is an Oregon Century farm. Conservation is our by-word.

Respectfully submitted,

CK Peck Lucile Peck

C. K. Peck, Lucile Peck

JOE RIETMANN
P.O. Box 304
Ione, Oregon 97843
(503) 422-7435

August 29, 1989

U.S. House of Representatives
Agricultural Committee
Pendleton, Oregon

RE: 1990 Farm Bill Field Hearing

Dear Committeemen,

I am a wheat grower from Oregon with a keen economic interest in the 1990 farm bill. In reviewing the USDA program announcement and the preliminary regulatory impact annalysis, I find it disturbing that no effort was made to correct long standing inequities in program yields.

USDA has proposed that program yields remain as they have for the past five years, an average of 1981-1985 proven yields, dropping the high and low years.

This policy has, for the past five years, ignored a large number of farms with no proven yields for the years 1981-1985. This leaves those farms with an out dated assigned yield, based on yield data from the 1960's and before.

One example of this problem is well represented by two farms I operate in Morrow County, Oregon. These two dryland wheat farms are side by side. Farm A receives program payments based on a program yield of 47 bushels per acre using the current formula for determination of program yields. Farm B receives program payments based upon an assigned program yield of 18 bushels per acre.

How did this inequity come to be? Both farms were operated by others during the 1981-1985 period. Farm A, with a 47 bushel program yield was managed by an aggressive operator who used state of the art farming practices and kept excellent yield records to verify his production. Farm B, with an 18 bushel assigned program yield did not keep yield records and no effort was made to stay current with either modern farming practices or government farm programs.

How did I get into this situation? As a young wheat farmer I started renting farm land in 1981 and thru expansion came to lease both of these farms in 1986.

Prior to 1986, ASCS policy allowed program yields to be appealed when a new operator took over a farm. With the 1985 farm bill program yields were frozen and no appeals have been allowed.

The hardship that this policy brought upon me was very real during the 1986-1987 crop years when subsidies were high.

I would like to propose two ideas for the 1990 farm bill.

#1. Allow farmers to update their production records using 1985-1989 crop years.

#2. Allow farmers to appeal assigned yields, using the proven yields of surrounding farms as a basis for a more realistic program yield.

This is not a request for more federal tax dollars. All yields could be adjusted by a factor to compensate for any increased cost to the federal budget.

Frozen program yields with no appeals have made many farmers second class citizens, in many cases receiving less than half the government support of their neighbors.

Please take this under consideration as you develop the 1990 farm legislation.

Sincerely,

Jo Rietmann

Joe Rietmann
P.O. Box 304
Ione, Oregon 97843

Route 1, Box 231
Touchet, Washington
(509) 394 2453
August 28, 1989

Representative Dan Glickman
United States House Agricultural Committee
Washington D. C.

Dear Sir;

I speak for many (probably all) alfalfa hay growers in stating my opposition to the "whole herd buyout" of the 1985 Farm Bill and plead that that option will not be a part of the 1990 Farm Bill.

The 1985 Farm Bill stated that the Secretary must " take into account any adverse effect of (a milk diversion or termination) program or contracts on beef, pork, and poultry producers in the United States and take all feasible steps to minimize such effect."

Nowhere, however were hay growers taken into account. We were "blind-sided"--the bill was signed too late for us to change acreage for the next year. Our hay prices dropped to half and less than half what they were the year before; that is IF we could even sell it. The prices were about half to two-thirds what it cost us to produce the hay. Many of us were forced into bankruptcy. (If it hadn't been for non-farm family members subsidizing me, I would have gone that way too.)

Truckers, veterinarians, feed dealers--on and on were adversely impacted--anyone who dealt with dairy farmers. We had two horrible years, and one fair year, with the possibility of another "domino-effect" fiasco still looming.

It is my understanding that dairy cow numbers have increased faster than anticipated, indicating to me that a "whole-herd buyout is not the answer.

Please, in trying to help one segment of agriculture, DO NOT wipe out another segment. Consider the "domino effect" on all other segments.

Thank you.

Sincerely,

Carolyn Seachris

Congressman
Bob Smith 2
serving the people of
Oregon's Second Congressional District
118 Cannon Bldg. Washington, D.C. 20515 202-225-6730

NEWS RELEASE

FOR IMMEDIATE RELEASE
August 28, 1989

Contact: Dave Redmond
(202)225-6730

SMITH ANNOUNCES WHEAT CREDITS TO TURKEY, SALES RESULT FROM CONGRESSMAN'S VISIT

PENDLETON, OREGON -- Congressman Bob Smith, following an August visit to Turkey in which he promoted American agricultural products, today announced that, at his urging, the U.S. Department of Agriculture has extended $50 million in credits to Turkey to purchase American wheat and feed grains under the Export Credit Guarantee Program (GSM-102) in August and September.

The Export Credit Guarantee Program, administered by the Agriculture Department's Foreign Agricultural Service, provides short- and intermediate-term bank loans to foreign purchasers to buy U.S. agricultural products in markets deemed worthy of long-term development.

"This action reflects Turkey's interest in purchasing American wheat, and indicates that the United States considers Turkey a potentially valuable market both now and in the long-term," said Smith, who serves on the House Agriculture Committee.

"Foreign markets are the future of Oregon agriculture," Smith said. "America's farmers, including wheat farmers, can produce far more than the American public can consume. We must aggressively market our agricultural products overseas to provide some long-term stability to the American farm community. At the same time, we can provide other nations with superior products and, ultimately, a lower cost of living."

"The world agricultural market is one of the great centers of international competition. If there is to be competition among nations, I would be most comfortable with a struggle to see who can produce the most food, at the best price, and market it to the world. Well, Oregon's wheat farmers are the best in the business. My sales pitch to Turkey was roughly the same message, and I gather they saw some wisdom in that message," said Smith.

Smith is in Pendleton, Oregon participating in a field hearing, held at this request, of the Agriculture Committee's Subcommittee on Wheat, Soybeans, and Feed Grains. The hearing is designed to gather testimony and expertise on writing the 1990 farm bill, which must be passed next year.

# \# \# \#

PROGRAM ANNOUNCEMENT

United States
Department of Agriculture

Foreign Agricultural
Service

Washington, D.C.
20250-1000
FAX: (202) 382-1728

USDA INCREASES GSM-102 CREDIT GUARANTEES TO TURKEY

WASHINGTON, Aug. 28 -- The U.S. Department of Agriculture (USDA) has increased credit guarantees by $50 million for sales of U.S. agricultural commodities to Turkey under the Commodity Credit Corporation's (CCC) Export Credit Guarantee Program (GSM-102) for fiscal year 1989.

According to F. Paul Dickerson, general sales manager of USDA's Foreign Agricultural Service, today's action increases the credit guarantee line for sales of wheat by $30 million, from approximately $84.47 million to about $114.47 million, establishes a $17 million guarantee line for sales of U.S. feed grains, (corn, sorghum, oats and barley) and creates a $3 million undesignated line.

The undesignated amount becomes available for distribution among those commodity-specific lines to Turkey only when authorized dollar amounts have been exhausted. The undesignated amount can then be used in accordance with the procedures outlined on Aug. 26, 1987 (FAS P.R. 437-87).

The total fiscal year 1989 allocation of GSM-102 guarantees for sales to Turkey is increased by $50 million, from $95 million to $145 million.

Dickerson said that exporters who submit applications for payment guarantees under this announcement should be familiar with the Notices to Exporters issued on Sept. 21, 1988, and on Feb. 15, 1989. Both notices concerned exclusion of the value of imported agricultural goods under CCC's credit guarantee programs.

U.S. exporters registering for credit guarantees must report to CCC the actual export period as provided in their credit sale. They should not simply use the final export date listed under announcements authorizing the credit guarantees.

-more-

To be eligible for up to three-year coverage all sales must be registered by Sept. 30, 1989, and exported by Dec. 31, 1989.

Exporters must apply to CCC for coverage before exports are completed, and written applications shall include payment of a guarantee fee. The guarantor is the T.C. Ziraat Bankasi and/or other eligible banks.

The guarantee rates include a charge to provide for a yearly interest rate coverage of up to 4.5 percent on the guaranteed value. Exporters may apply for a guaranteed value up to a maximum of 98 percent of the port value.

Based on repayment of principal, plus accrued interest at the end of the financing period, the fee rate is 15.3 cents per $100 for six months.

Based on equal semiannual repayments of principal, plus accrued interest, the fee rate is 23.0 cents per $100 for one year, 30.7 cents per $100 for 18 months, 38.6 cents per $100 for two years, 46.8 cents per $100 for 30 months, and 55.6 cents per $100 for three years.

Based on repayment of principal, plus accrued interest, at the end of the financing period, the fee rate is 31.9 cents per $100 for one year. Based on equal annual repayments of principal, plus accrued interest, the fee rate is 48.5 cents per $100 for two years and 67.0 cents per $100 for three years.

All other terms and conditions previously announced remain the same.

For further information, please call (202) 382-9225.

For 24-hour information on Export Credit activities, call (202) 472-1621.

All FAS news releases issued each day are available through a FAX machine starting at 4 p.m. To receive the release, callers should dial (202) 382-1728 and set their FAX machine for polling.

#

This is written testimony submitted at a hearing on the 1990 farm bill held on 29 August 1989 in Pendleton, Oregon. The objective of this testimony is to provide suggestions and ideas for improving the conservation provisions of the Farm Bill.

Conservation Provisions of the 1985 Food Security Act

The four provisions in the conservation title of the 1985 Food Security Act were: 1) Sod Buster, 2) Swamp Buster, 3) Conservation Reserve, and 4) Conservation Compliance. All of these to some degree affected Oregon producers. I will address each of these provisions and then present an overview.

Sodbuster: The concept of this provision has nearly unanimous support. However, complications have occurred when land in production under long grass or hay rotations is sown to cereal or row crops. Also when pasture or range is in need of improvement, it is sometime advantageous to grow cereals before seeding back to grass. These kinds of situations have been handled well by the agencies involved. However, this demonstrates the need for flexibility in to allow tillage and commodity crop production when it is essential for maintaining land in the highest conserving use.

Swampbuster: First, most producers recognize the value of wetlands and are willing to preserve them. Swampbuster has directed preservation through a penalty program (producers who drain wetland loss program benefits). A more desirable approach would be a positive incentive program, where producers who preserve wetlands receive a tax break, wetland payment or other incentive.

Secondly, identification of wetlands has received must attention, however much confusion still exists. A clear distinction between wetlands and wet soils needs to be made. Soils that have high water tables are wet soils but are not necessarily wetland. Many acres of cropland are wet soils but are not wetlands. A wetland has a high water table but also has characteristic geomorphic and hydrologic features. Wetlands need to be protected, but giving wetland status to areas of wet soil is not appropriate. Recently, EPA, SCS, Fish and Wildlife Service, and the Army Corp of Engineers signed a memorandum of agreement to use a universal definition of a wetland. This was a major progressive step. The distinction between wetlands and wet soils should include input at the local level. This will allow wetlands to be preserved, while maintaining land use options for producers who farm wet soils that are not wetlands.

Conservation Reserve Program: Approximately 500,000 acres in Oregon have been enrolled in the Conservation Reserve Program. At least three counties have enrolled the maximum (25 % of the cropland acres). The environmental benefits of this program have been highly lauded. These need to be quantified. Many people have made general statements about the tons of soil saved, improved water quality, or increased wildlife. The success of the program cannot be evaluated without some quantitative measure of its impact. This includes both environmental and economic impacts

In some areas highly erodible land is very productive and producers cannot afford to bid this land into CRP at the current bid ceilings. These lands probably would be enrolled if payments could be tied to land productivity.
The hurried implementation of the CRP caused some problems with recommendations for cover establishment. Many grass stands were poor or failures because inexperience or lack of proper recommendations early in the program. These might have been avoided if the program had been initiated more slowly.

Future Farm Bill legislation needs to address reactivation of CRP land. A portion of land enrolled in CRP should have never been cultivated. Incentives to keep this land in conserving may be necessary. Using reasonable precautions, other less sensitive CRP lands could go back into production.
Another question that must be addressed is "will reactivated CRP lands be eligible for alternate conservation systems or must they be farmed to T?".

Conservation Compliance: Much apprehension exists in the farm population about conservation plans and implementation of conservation compliance. Most producers have devised farm plans and have proceeded to meet compliance requirements. Apprehension exists because producers must adopt farming practices or initiate erosion control measures, which are less flexible and in some cases have smaller margins for error. Producers are uneasy because production levels, seasonal weather conditions and infestations of weeds, diseases and insects are unpredictable. These uncertainties make it difficult to devise management scenarios, which are required for conservation planning. It is feared that once conservation plans are placed on record, they will become a list of practices, which must be followed without flexibility or option for change.

Compliance checking needs to be clarified. Originally, ASCS had responsibility for compliance checking, but this has now be shifted to SCS. This has profound implications because this makes SCS a regulatory agency or at least places regulatory responsibility with SCS or the Conservation Districts. This changes the role of the agency and Districts.

From the start, conservation compliance has been modified and relaxed. This gradual easing in the legislation has had adverse effects. Producers view this as a sign compliance will never go to completion and it causes radical environmentalists to seek more rigid regulations. We need to work together on realistic solutions. Legislation should establish reasonable goals and those should not be compromised.

The work of SCS personnel in completing compliance planning has been remarkable. Without any new personnel and very little additional support these people and performed outstandingly. The lack of funding and additional personnel support to SCS has hindered implementation of conservation compliance.

General Observations and Suggestions

Extensive areas of the Pacific Northwest produce soft white winter wheat in rotation with either annual legumes or summer fallow. This region has a complexity of soils, weather conditions, and relief and topography. For example, annual precipitation ranges from 10 to 25 inches in cropland areas and changes as quickly one inch per mile in some areas. A diversity of farming systems and practices exist. This complexity should be understood when writing conservation legislation. Flexibility must be built into legislation to compensate for regional differences in climate, soils, and cropping systems.

The 1985 Food Security Act targeted highly erodible land (HEL). Three provisions in the conservation title addressed HEL. The basis for identifying HEL and implementing these provisions is the Universal Soil Loss Equation (USLE). It seems apparent that future farm bill legislation will target other environmentally sensitive lands in addition to HEL. It is anticipated that nonpoint source pollution (NPS) and groundwater will have high priority. These issues need to be addresses. However, no counterpart to USLE exists to assist in implementation of programs to target sensitive areas. These will be much more complex issues to deal with than HEL.

Several terms and phrases are used frequently when discussing NPS and groundwater issues: a) "good science", b) "best management practices"
and c) "education and public awareness". The need for "good science" in the development of NPS and groundwater policy is obvious, but the program being set to address NPS allows little time for new research and there appears to be considerable disagreement among opposing groups as to which are the correct set of facts.

Lists of BMP's for prevention of NPS and protection of groundwater are frequently sought. Unfortunately, some people who use the acronym (BMP's) don't fully comprehend the situation. There is a rather shallow perception that we can develop lists of

BMP's and require landowners, farmers, loggers, etc. to apply these practices. It should be recognized that BMP's are more correctly referred to as BMS's (Best Management Strategies). This means that most BMP's are really not practices per se but **learned managerial skills**. For instance, timing and rate of nitrogen fertilization should be based on crop, weather and soil conditions. These vary from year to year and location to location. They must be individually evaluated on a field basis by field basis and nitrogen applied accordingly. Refining fertilizer and chemical inputs will require more intensive management and better management skills. Producers can acquire the needed management skills only through education or assistance from off-farm expertise.

If the goal is to improve managerial skills, we need a program that will provide the necessary education and support for producers and those who supply producers. For example, nitrogen fertilizer management could be improved in the Pacific Northwest by careful monitoring of soil nitrogen levels, movement and storage of soil water, growing season precipitation, and crop development. A network of county programs setup to monitor these conditions and educate and advise producers and fieldmen on their use would be very effective.

Respectfully submittted

Don Wysocki

Don Wysocki
Extension Soil Scientist
Columbia Basin Agricultural Research Center
Box 370
Pendleton, OR 97801
503-2765721

FORMULATION OF THE 1990 FARM BILL

WEDNESDAY, AUGUST 30, 1989

House of Representatives,
Subcommittee on Wheat, Soybeans, and Feed Grains,
Committee on Agriculture,
Billings, MT.

The subcommittee met, pursuant to call, at 8 a.m., in the Lewis and Clark Room, Student Union Building, Eastern Montana College, 1500 North 30th Street, Billings, MT, Hon. Dan Glickman (chairman of the subcommittee) presiding.

Present: Representatives Marlenee and Smith.

Staff present: Joseph Muldoon, assistant counsel; Greg Frazier, Anne C. Keys, and Cliff Humphrey.

OPENING STATEMENT OF HON. DAN GLICKMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KANSAS

Mr. Glickman. The subcommittee will come to order. I want to welcome you all to the formal hearing of the House Agriculture Subcommittee on Wheat, Soybeans, and Feed Grains. I want to thank my colleague, Ron Marlenee, the ranking minority member of this subcommittee, for inviting us here to Billings.

I am Dan Glickman. I am chairman of the subcommittee. I am from the great State of Kansas, and I am from Wichita.

And also on the subcommittee today is the Honorable Bob Smith, also a member of the subcommittee from the great State of Oregon.

This hearing is one of many that we are doing this year to try to determine one, the current state of agriculture, and two, to get data and information as to what should be in the 1990 farm bill.

The chairman of the full committee, Mr. de la Garza of Texas, has asked us to do this now so that we can begin work in earnest very early next year and try to finish a farm bill maybe by springtime so that we don't wait until the last possible minute as we usually do and farmers not knowing until sometimes too late as to what should be expected or required of them.

Even though this is the subcommittee on grains and soybeans and oil seeds, it really is for all practical purposes intended to be a hearing on all farm issues because that is what the chairman has asked us to do.

I come from, obviously, a big wheat producing area. My State is usually the largest wheat producing State in the country. But my State is different from the Pacific Northwest and from this part of the country.

As I said, when we were in Oregon, too often we tend to think that, oh, agricultural policies are made based upon what the Corn

Belt has in mind or perhaps areas of agriculture in the South, and not enough what those folks in the Pacific Northwest want to see us do in terms of their unique specialties.

And so that's why we come out here to listen to you to get an idea of what is going on and to get suggestions about what we should do so we can then act intelligently as we try to do our best for the producers of food and fiber in this country.

So, saying that, I want to thank you so much for your hospitality. This is the first time I have ever been to this State, and you have a terrific State, and Billings is a beautiful community.

I hope that Ron Marlenee will invite me back if I am a good boy today. I guess maybe he will, and I thank him so much for asking me.

And now, I would like to yield to my colleague from Montana, the ranking minority member, Mr. Marlenee.

OPENING STATEMENT OF HON. RON MARLENEE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MONTANA

Mr. Marlenee. Thank you, Mr. Chairman, and welcome to Montana. I welcome all of those who are witnessing here, either participating at the table or participating out there in the audience as observers.

I have a lot of confidence—and Dan, by the way, we have a lot of good people out there; not only good country but good people in the State, some of them right up there at that front table.

At least the two on that end are the best kind of people that I know of, Future Farmers of America. We are proud to have them here today to lead off because very few people have more at stake than those two young guys sitting at the table, who have their future staked out in agriculture.

I have a lot of confidence in the future of agriculture myself, a tremendous amount of confidence. When I observe what is going on on a worldwide basis, I think that we in agriculture sit in a pretty good position.

I just returned from Taiwan. Twenty-five percent of the land is arable. There is a population of millions of people. Their policies are high tech, high education, and they are rapidly depleting or using the land areas that are available for development.

The income per capita is up to about 10,000, given all of the factors, which only means that they will be an importer for food. We talked to them about that when we were over there, I did, and I think that we have a big market there as elsewhere in the world as world per capita spendable income goes up. We have a future in agriculture, and I am very confident of it.

Dan just returned from the Soviet Union. My personal opinion in that is—he deals with a lot of policymakers—is that in the Soviet Union, Gorbachev must maintain a good stable food supply or he is in deep trouble.

There is enough unrest in the Soviet Union, and our feeling is—the signals that we are getting—is that they are going—although they are trying to increase their production, it's going to be difficult. Dan spoke to that yesterday, and because of that, they will continue to be in the market.

Bob Smith just returned from Turkey. You know these Congressmen that travel all over. He just returned from Turkey where Bob was able to make some sales, and I will let him speak to that, but I use those examples to reinforce the fact that there is a good future.

It is going to depend, I think, on the policymakers as to whether we take advantage of that. That is the reason we are having these hearings this morning, so we can develop policies, policies that send clear signals, signals that we will not overregulate, regulate to death, kill the goose that laid the golden egg, that we will not allow things like alar on apples to destroy our markets.

That's not that the alar would have destroyed the market. If a rabbit ate 28,000 of these a day, he probably might, might get cancer. But we have to send those clear signals that we are not going to allow those kinds of publicity things and regulations to destroy our markets, that we will have a continuity in our program, all the producer—the producers to develop and project, make projections that they need to operate, and that we as policymakers are going to make certain that agriculture is effective.

Given what has happened to the last farm bill and the direction we've taken, that sounds good.

I've said far too much, Mr. Chairman. I want to welcome you and my good friend, very good friend, Bob Smith, who himself is a producer from the State of Oregon to these hearings. Bob.

OPENING STATEMENT OF HON. ROBERT F. (BOB) SMITH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

Mr. SMITH. Thank you, Mr. Chairman, Congressman Marlenee, ladies and gentlemen of Montana. It is my privilege and pleasure to be in Montana. I live in a part of the State of Oregon that is high and dry and lonesome. It reminds me of Montana.

But at 4,000 feet elevation and a 68-day growing season, you don't want to change mother nature too much if you want to make a living. And it's kind of uninhabited, with the largest city of 30,000 people.

It takes quite a lot of country to get 500,000 which we all represent in Congress. In fact, in Oregon, it takes three-quarters of the State.

The other four Members of Congress live within 100 miles of each other, and they get lost when they come out and see me, which is fine. In fact, I tell them to get lost often.

But it is a pleasure for me to be in Montana, especially with these two gentlemen who are knowledgeable people about agriculture. We are here to find out what you have to say about your future. This is government coming to people. That is the way this thing should work. So, I'm going to be very interested.

Just a comment about wheat in particular. I, with the Speaker of the House, Tom Foley, represent part of the country that produces 90 percent of the Soft White wheat in the Nation. And it's a little different kind of crop, but it is wheat.

We have a saying out there, when you sell wheat, it's wheat, no matter whether it's Red, White, Soft, or Hard.

So our business and your business and this committee's business has been to market, because we have gone through a very testing period and lost a lot of people in our business. And we found that we are gaining our world market back.

We've got to do two things, it seems. We have to expand our domestic market, maybe with new products. Let me show you one.

Announced yesterday in Pendleton, Oregon was a product that they have developed which looks like this. It is called sweet buttermilk pancake mix. It is made of purely Soft White wheat with some other ingredients.

Just presented yesterday, here is an idea; it might not work at all, but it's a good product that uses wheat. It seems to me that these are continuous ways that we have performed to try to sell our product.

Internationally, we have a great opportunity. Congressman Marlenee touched on it. It appears at times that Members of Congress do travel a lot. But let me tell you about Turkey for just 1 minute.

I was over there in Turkey, talked turkey with the Turks. And on August 12 this year, I met with the leaders of Istanbul, of the Government from Ankara and Istanbul, the gentleman who is in charge of all exports and imports. And I said: What can we do to sell you more wheat? You're leaning towards the European Community. Why don't you lean towards the United States?

By 1992, this European Community thing is going to be the toughest competitor in the world, and it is going to be the United States against EC and EC against the rest of the world. You're on the wrong side.

He said, well, we would like to be on your side.

I said, fine, tell me what you need.

He said, well, really we need 15 million dollars' worth of credit. That is the GSM-102 program we have that extends credit to nations to buy our products. They pay interest. It is not a grant or a gift.

I said, well, $15 million doesn't seem like a whole lot. I asked our Foreign Agriculture serviceman there, have you applied for it? He said, no, they just turned me down.

I said, well, why don't you apply and let them turn me down face-to-face?

He said, all right, I will do it. On Monday—that was Saturday at noon—on Monday, he applied. On Tuesday, I met with the Deputy Secretary of Agriculture and Bob Anderson for 30 minutes. We had decided that they had decided that there was room for not only that $15 million of credit, but yesterday announced $50 million in credit for Turkey, which means next year they will double their purchase of wheat from the United States, which last year was 95 million dollars' worth of wheat.

Next year, they will buy more than 200 million dollars' worth of wheat from us. That is the way to sell wheat. That was done in 3 days. Now, don't let anybody tell me that this Government, when it wants to, can't move rapidly and quickly and efficiently.

Well, that is only one example of what happened; and the other part of it is the criticism of Members traveling is sometimes correct, but most times it is not.

I couldn't have done that nor could the administration have been aware of that situation unless I went to Turkey.

Well, it didn't cost the taxpayers any money at this point because the Turks invited me over there, but I came home with a pocketful of their wheat money, which is all right with me.

So, we've got to proceed on the domestic and international markets, and I think we're doing much better with recapturing our world position to international trade, especially agriculture. We must continue.

One last word I want to make, Mr. Chairman, is that there are a few people in the Congress that are elected to represent the people who are actually hands-on in the business of agriculture. One of them is Ron Marlenee. He serves you so well, and I must tell you this.

The board and I can view all those people and criticize them, and they do me, but I can tell you that a man who has made his living from the land—and this is not an easy place, I understand this, for a farmer to make a living, but a man who has done that has judgment far beyond those who read about it in books and newspapers.

He has made a great contribution to Congress, and I am privileged to be called his friend. And I can tell you he serves not only Montana but this great country with great distinction and honor in office, and I am proud to be a part of Ron Marlenee's committee and be a friend of his.

Thank you, Mr. Chairman.

Mr. **Glickman**. We are going to begin now. As I see from our witness list, we have 24 witnesses, and my flight leaves at 1:30 p.m., so I multiply 24 times 5 and that is 120 minutes. And then if we have 5 minutes a person for questions, that is 240 minutes, and that is 4 hours, and that will get us out of here by about 12:30 p.m. And I know the airport isn't very far so I am giving myself a little bit of extra time.

So, what we are going to do is we are going to ask each witness not to exceed 5 minutes. All of your statements will appear in the record. Every word that you have written down will be in the record. So if you don't get it all said, don't worry; it will be in the record anyway. I assure you of that, and I think we are going to have a timer, as well.

The timer is this mean looking man right here who works for Congressman Marlenee, so the only reason we are doing this is because this hearing had such a tremendous interest because of the number of people who wanted to testify so we have to somehow limit the testimony.

This is not meant to try to reduce your ability to tell us what you want to tell us, it just puts a little more premium on you to tell us up front what is most important to you. Then we will try to get to questions the best that we possibly can.

Mr. **Marlenee**. Would the chairman yield?

Mr. **Glickman**. I will be glad to yield.

Mr. **Marlenee**. They will use the timer on us who are sitting up here in the front row, too, who have liberty to talk a little longer. But if you don't use your minutes, 5 minutes, don't worry about it. Every minute that you don't use will earn you stars in Heaven.

Mr. **Glickman**. Before I start, if there are any people in the audience who are witnesses who have copies of statements with them, would you raise your hands so the staff can go and get them. Is there anybody here who has a copy of the statement that's going to be testifying?

Why don't we go ahead and begin then. Our first panel is Mr. Everett Snortland, director of the Montana Department of Agriculture in Helena; Mr. Jeremy Danbrook, president, Montana Future Farmers of America; Mr. Kirk Fritz, Montana Future Farmers of America; and Mr. Larry Anderson. Larry is the former State ASCS director.

I'll tell you what—I think what we will probably do, Ron, is take Mr. Snortland and Mr. Anderson first and second, and we will let our two FFA folks here finish the panel off.

So, Mr. Snortland, why don't you begin.

STATEMENT OF EVERETT M. SNORTLAND, DIRECTOR, MONTANA DEPARTMENT OF AGRICULTURE

Mr. SNORTLAND. Thank you, Mr. Chairman, Representative Marlenee, and Representative Bob Smith.

For the record, I am Everett Snortland, director of the Montana Department of Agriculture. It is indeed a great honor and privilege to welcome you to the State of Montana as you conduct your hearings today.

We sincerely appreciate your presence and the time you are dedicating to the concerns of Montana citizens. The testimony of those here today will provide input critical to your continued deliberations as you return to our Nation's Capital.

I would like to extend an invitation from the Governor of our great State, Mr. Stan Stephens, to join us in Helena, our State capital, on November 8 as we celebrate our centennial and the day that Montana was admitted to the Union 100 years ago.

To help your perspective on agriculture in Montana, I would like to take just 1 minute to provide some basic background. Montana is a word derived from the Latin word meaning mountainous. We are often referred to as "The Treasure State," "The Land of the Shining Mountains," and "The Big Sky Country." We have the big sky of the Plains and the crystal water of the mountains. Admitted to the Union on November 8, 1889, we are the Nation's fourth largest State.

Montana has within its boundaries portions of three drainage systems. We provide water to the Columbia, the Missouri-Mississippi, and the Hudson Bay. The triple divide, where water flows in all three directions, is located in Glacier National Park.

Montana's agricultural heritage is almost unexcelled as our State's 147,000 square miles and 93.2 million acres encase 60.6 million acres of land on 24,700 farms and ranches. This is second only to the Honorable Chairman de la Garza's great State of Texas.

Montana is third in the Nation with approximately 2.6 million acres in the Conservation Reserve Program. Our industry strives to work in harmony with our 10 national forests, comprising nearly 17 million acres, 11 wildernesses with another 3 million acres, 2 national parks, and 10 State parks, not to mention 7 State forests and some 67 or so recreational areas.

Agriculture is the No. 1 industry in the State of Montana. We usually rank about second in the Nation in Spring wheat production, third in Winter wheat production, third in barley and second in oat production. We are 6th in sheep and wool production, 7th in beef cattle production, 8th in sugar beet production and 12th in alfalfa hay production.

As you can see, your actions for both program and nonprogram crops are very important to Montana agricultural producers. We produce all forms of livestock, potatoes, canola, corn, Christmas trees, cherries, grapes, mint, hay, honey, and other alternative crops.

I was born and raised in Conrad, Montana on a grain farm southwest of Conrad that was homesteaded by my grandfather in 1909. I have had the dubious honor of not only experiencing the impact of farm programs as an active small grains producer, but also as a State legislator, lobbyist, and an administrator, serving as the State executive director of the USDA/ASCS for Montana from July 1981 to January 1989 and serving as director of the Montana Department of Agriculture today.

Through all of these activities, I have grown to appreciate the complexity of the issues we face and the enormous responsibility of appropriately dealing with the difficulties associated with these issues.

As a participant in farm programs since 1960, I believe that the 1985 Food Security Act has been the most beneficial to most Montana agricultural producers of all the previous acts.

As we look at the continuing decline in our population associated with direct agricultural production, we can suspect that many of the provisions of the 1990 farm bill will be made by nonfarmers and ranchers. As long as we are able to provide an abundant supply of cheap food, we must anticipate a disproportionate increase in environmental concerns involving such issues as food safety, clean air and clean water, farm worker safety, conservation, endangered species, and animal rights.

It is a foregone conclusion that we, as an industry, must address these issues. I am confident that you as our legislative Representatives can balance these issues while maintaining the viability of our strong agricultural industry. We must balance these things with production realism in addressing issues such as noxious weeds on Federal lands, the Russian wheat aphid and export demands in relationship to world and domestic need.

An example of what we face was illustrated at a national conference on organic and sustainable agriculture held in March 1989. At that conference, Dr. Charles Benbrook, Executive Director of the Board of Agriculture, National Academy of Sciences, cautioned those persons eager for an immediate turnaround from the reliance on agrichemicals to diversified organic systems that they must be patient.

He said, and I quote, "I think it is very important for us not to underestimate the difficulty of a farmer going to a new diversified agriculture system." He went on to note that fat intake, not pesticides, is America's greatest dietary problem today.

We have seen individual States addressing many key issues. This was exemplified as Montana agriculture took the bull by the horns and worked with environmental groups to pass House bill 757, the Ground Water Protection Act.

The point I am trying to make here is that if State governments are addressing certain environmental issues relating to agriculture adequately, the Federal Government should not be allowed to duplicate or supercede these efforts. They should be able to certify States that are doing a good job and let us continue to work with producers to solve these problems ourselves.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Snortland appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much, and your entire statement will appear in the record. Mr. Anderson.

STATEMENT OF LARRY D. ANDERSON, FARMER, CHESTER, MT

Mr. ANDERSON. Thank you, Mr. Chairman, members of the committee. My name is Larry Anderson. I am a typical dryland wheat and barley producer from North Central Montana. If we can truly get stars in heaven for saving time, I think I'll go for three stars, and Everett's going to have to borrow a few.

I farm about 100 miles north of Great Falls. My father settled in March 1913. Now by any yardstick used, that land is in better shape than it was in March 1913. It is more productive; it is still there intact.

I guess the point I would like to make is we are good stewards. We have to be good stewards to make a living. And we are typical Americans. We love our wives and our children and our grandkids and our nieces and our nephews, and in most cases, our mother-in-laws, and we want those people to eat good food.

In fact, we even buy our food from the same shelves that the consumers of America and the world buy from. We drink water that is pumped up from the same ground we spray chemicals on, and we know it is clean and safe to drink.

We are very concerned, I believe, rigid controls always are bad for agriculture. We believe that these decisions are best left to the people at risk. In fact, I think we see plenty of evidence that economies that are controlled centrally don't do very well. I think we have plenty of evidence of that seeing the changing direction of the Soviet policy.

We think, also, or I think, I should say, it would establish a very poor precedent to take production decisions away from the farmers who farm the land.

Mr. Chairman, members of the committee, I appreciate your concerns shown by your appearance here today, and we look forward to working with you as the farm bill develops.

Mr. GLICKMAN. Thank you, Mr. Anderson. You just won four stars.

Now it is a pleasure to recognize two gentlemen with the Future Farmers of America. We have Jeremy Danbrook, president, and Mr. Kirk Fritz, who is the vice president. So I guess, Mr. Danbrook, you will go first.

STATEMENT OF JEREMY J. DANBROOK, STATE PRESIDENT, MONTANA ASSOCIATION OF FUTURE FARMERS OF AMERICA

Mr. **Danbrook**. Mr. Chairman and honorable committee members, for the record, my name is Jeremy Danbrook, and I am the State president of the Montana Association of FFA. This is my fifth year in the FFA, and I am here as part of the FFA to give my testimony.

I have lived on a farm for 15 years of my life where I have an FFA project of 400 acres where I raise crested wheat grass and sainfoin as a seed production. My first experience with the program was last year in applying for disaster on my project. I was unable to receive disaster for a certain area that I was not able to get. I would hope that the 1990 farm bill would be simplified and that every member in agriculture be supported by it.

But to save time, I would like to go right into the issue that I feel is very important to the United States and to Montana, and that is education in agriculture. Agriculture is the fastest growing industry with computers right now. There are more areas in agriculture growing right now than any other. I feel that at this time now education is very important and should be supported by the 1990 farm bill.

One area I feel that people should be aware of agriculture, I feel that there needs to be awareness in schools across the United States. When I was in Kansas City, I was asked what FFA stood for. I told the man it stands for Future Farmers of America. With a puzzled look, he looked at me and said, how do you see a future in farming with the new supermarkets in our area?

I feel this is important that every member of the United States know the importance of agriculture. The FFA in Montana has a program called food for America, which is an awareness program for the schools. And Montana has a program which is agriculture in Montana classrooms. I feel these two programs are very important.

Another area I would like to see the farm bill support in education is adult education, the FFA, and agriculture in the schools. I feel it's very important that today's young people be very well educated in agriculture. With the new advances in biotechnology and the computer age in agriculture, it's very important that these are met.

I feel the 1990 farm bill could look at a group and fund an area where these three areas work together learning from each other.

I would like to thank the board for allowing me to speak, and I am having a very fine time and thank you for being available. I would ask you to remember one thing, and that is the American farmers. I feel there is a future in farming, and I am willing to support agriculture as long as I live.

I would like to thank you, Mr. Chairman, and honorable committee members for allowing me to speak. Thank you.

[The prepared statement of Mr. Danbrook appears at the conclusion of the hearing.]

Mr. **Glickman**. Thank you, Mr. Danbrook. Well done.

Mr. Fritz.

STATEMENT OF KIRK M. FRITZ, FIRST VICE PRESIDENT, MONTANA FUTURE FARMERS OF AMERICA

Mr. Fritz. Mr. Chairman and members of the committee, my name is Kirk Fritz, first vice president of Montana FFA from Kalispell, Montana.

I would like to say that we are here today as one group not to reflect upon the past but to grasp the present by sitting by the dock of the bay peering down into cool deep waters of the future. Together we sit upon that dock, our minds begin to wander. While deep in thought, we are caught off guard.

Someone sneaks behind us and pushes us into the deep dark foreboding waters of the future. We plunge into the depths, sinking farther and farther until we are totally engulfed by water. We stare into each others' eyes, realizing the plunge we have taken has brought us face to face with the future.

May I ask you a question? Will we know how to swim? Tough question.

How about another one? Are we prepared to deal with the future?

Agricultural education and the FAA are making the difference. They are doing so by preparing students for the future in careers in our Nation and the world's No. 1 industry, agriculture. This is likely the major benefit of agricultural education in the FFA.

It is vital that we have competent, qualified leaders for all fields of agriculture, leaders with skills, knowledge, and confidence to move forward, an industry that employs 1 out of 5 Americans and provides the greatest percentage of GNP of any industry.

And agricultural changes to meet the demands of the changing world. The FFA and agricultural education has changed. But in many ways, we as a nation are behind. For I think concern over the environment, use of natural resources, and the effect of chemical products must be dealt with, as well as trade ramifications of the European Community in the year of 1992 and the liberalization of foreign markets.

Consideration needs to be given to the fact that one-third of the world will go to bed hungry tonight, and the average lifespan of people in industrialized countries could reach 110 years by the year 2030 A.D.

It is important 42,000 jobs will go unfulfilled this year in agriculture. Distribution, dietary needs, trade and production practices, market development, land use and concentration are a mere sampling of the challenges to be faced by those entering careers in agriculture in the future.

It's imperative that we have young people who know how to sweat, students who will be prepared to deal with pain, and this can be accomplished through agricultural education and the FFA.

Although complex problems have no easy solutions, the answers are there. It's just a matter of finding them. Because as we sit upon the dock of the bay and peer down into the future, our faces are reflected in the water below. As we see ourselves in that future, we realize that whatever happens, sink or swim, it is up to us.

I would like to thank the board for allowing me to come here and speak to you today. It is a great privilege for me, and I am glad I could make it, and I wish you luck in preparing the farm bill next year.

If there is anything we can do in the organization to help you out here in Montana or anywhere else, we would be glad to join together across the land.

Mr. **Glickman**. Thank you very much. That was an excellent statement.

First of all, I would like to say to the panel, you did a splendid job. I would make a couple comments.

Mr. Anderson, I just returned from the Soviet Union and I was delighted by your comments about their centralized economy not working very well.

In fact, he was the head of the Agricultural Research Bureau of the Soviet Union, he told me and I quote him, "We have a chronic shortage of food stuff. What we don't have is a chronic shortage of orders and decrees."

I just thought to myself, maybe that is the problem with this country, too, sometimes, but I think your remarks are very well taken.

I would say to both of the FFA students, that, I think, this is the first congressional hearing I have ever been in that had FFA students testify, and I think that is a tremendous thing.

Jeremy, you have some good statements. You have some material on the two-tier pricing system which I personally find to be extremely interesting and something that I would hope we could pursue as we write that farm bill, and I want to thank you for including that.

I also wanted to tell Kirk that your points about education are right on target. I was in Texas for a hearing in Amarillo on the drought, we just enacted drought assistance. One farmer came up to me and he said, go back there and tell the world, he said, agriculture is going to be fine. But the smart ones will survive. Only the smart ones will survive.

Those are the ones that are schooled in the world of the future. They're going to have to use computers, and they are going to have to know about the technology, and they are going to have to be flexible and operate quickly. That is one of the reasons why it is so important to make sure that your organization extension is funded, so those people understand what is happening. Agriculture means you got to know more than just what kind of seeds to buy.

You have to be able to play the world market. You have to know about the trade. It is a different world than it used to be. And if you know that, you will survive because there is still plenty of opportunity in agriculture.

So I just want to say that I am delighted that you fellows were able to testify here, and I hope that one of these days you will come back and you will be the farm leaders of the world, maybe, who knows, we certainly hope so.

Mr. Marlenee.

Mr. **Marlenee**. Thank you, Mr. Chairman.

Mr. Fritz, you said that a lot of people go to bed hungry; a third of the world's population goes to bed hungry. I think that is a significant statement. I want you to know that I don't go to bed hungry, but I wake up in the middle of the night hungry.

I want you two gentlemen to know that these two guys are after your job. They are after mine. And when they get them, those jobs are going to be in good hands.

I have a lot of confidence in the Future Farmers of America. That is why I invited you here today to give your views. I have read the written testimony that you have, and you make some good points in that testimony, and it will be submitted for the record and for consideration when writing the 1990 farm bill.

I would also say in regard to education and computers, especially computers, that in examining what the USDA was doing and the direction we are going, I introduced a piece of legislation because of that examination. That legislation would require the USDA to interface its computers. USDA, as amazing as it may be, does not even have an interface of a computer system within the Department such as SCS and ASC, so they cannot talk to each other. They cannot communicate.

But I would foresee, as you do, perhaps, the day when the producer can sit at his table, and he or she may pull up on that screen all of the deficiency payments or all of the data information that may be in the bank in their files, and I am talking about the computer bank that the USDA has in that local office, is their file right at their table. They may even pull up on the screen the field maps and look at those field maps and with the technology that we have, change those lines.

Now, I am not a computer expert, but I would foresee that in the future. And at the same time that they are pulling those up and changing those maps and pulling their data out, they could use that same computer to fill out information on the market of the recent sales and the supplies of grain available according to the latest statistics, utilizing all that information to make their decisions at the table, at the home, that morning before they went to the field, during the day when they were doing the management. You are right on target, and I think that we need to recognize that. And I am pleased that you are here.

And I want to thank Everett and Larry Anderson for their testimony, and I certainly do endorse the concept of less regulation. And let's not let ourselves be sunk by the emotionalism that is brought about over pesticides scares that some self-annointed toxicologist may put out on the news media.

Thank you.

Mr. GLICKMAN. Thank you.

Mr. Smith.

Mr. SMITH. Thank you, Mr. Chairman, and I do congratulate this panel. The question of education goes to heart. It is a good point that agriculture is serving consumers better in America than any country in the world. It needs to be said. Fourteen percent of disposable income is spent for food in America, the least in the free world.

I believe in some cases, of course, like Sudan and other places, people are starving by the thousands. Education is most important, and I think the point that came out of Oregon when we held the hearing is that an understanding of how global natural resources fit in with the whole harvest scene of the world. Our problem simply in the West is we depend upon natural resources, depletable natural resources, the grass and timber and agriculture, and people believe we are raping the land.

We are managing, you are right, Larry. We are in better condition. I have a little patch of ground that has more fish in the streams and has more livestock and more grass than it did when I got it, and yet there are those who believe that we ought to wipe the cattle off of the claims, and the sheep, and eliminate all timber harvesting on public lands, which is the way we make a living.

We have to start teaching people in our educational programs that agriculture and natural resources are important to the whole system in the world.

Thank you. That was very good.

Mr. **GLICKMAN**. I want to thank the panel for coming.

One final comment. When we were in Oregon, we were admonished we should not refer to the next agricultural act as the farm bill. It should be referred to as either the Food Security Act or the Food Act. It is food policy as much as farm policy.

If we talk about it in terms of a farm bill, there are only 3 or 2 percent of the people who work on the farms; and therefore, it tends to separate people around.

And so this is all- -this is a big national policy and part of our economic strength to make sure that we have enough food and fiber and that we are not only producing it but transporting and storing it, processing it and eating it. And that is all part of the game.

So with you two guys in there, I am not too worried in the future about how the world is going to be. Thank you all for testifying today.

Mr. **MARLENEE**. Mr. Chairman, I would like to make another point here. This is the first time to my knowledge that a committee hearing has been held in Yellowstone County. Yellowstone County is the largest agricultural producer in the State of Montana. The gross income from agriculture outshines any other area of the State of Montana, here in this Yellowstone Valley, and in this town.

Mr. **GLICKMAN**. Thank you, and go to the chamber of commerce for Yellowstone County.

Our next panel is Mr. Edward Kuntz, president, Mountain States Beet Growers Association of Montana; Mr. Don Steinbeisser, president, Montana-Dakota Beet Growers Association; Mr. Cal Jones, vice president of the Imperial Holly Sugar Co.; and Mr. Don Bernhardt, agriculture manager of Western Sugar.

Why don't you all come up, and we are ready to hear from you. And why don't we ask Joe Dwyer with the Sugar Worker's Union to also come up as well because we have had a cancellation, and it is probably more useful to have you in this panel. So I think the way we will go, it is Kuntz, Steinbeisser, Jones, Bernhardt, and Dwyer.

So, Mr. Kuntz, you want to begin? And I remind you, you are all under the 5-minute rule.

STATEMENT OF EDWIN J. KUNTZ, PRESIDENT, MOUNTAIN STATES BEET GROWERS ASSOCIATION OF MONTANA

Mr. KUNTZ. Mr. Chairman, my name is Ed Kuntz, and I farm at Custer, Montana. My wife, Peggy, and son, Cody, and I grow sugar beets, malt barley, alfalfa, and we also feed cattle.

As president of our 200-member grower association, I am pleased that the subcommittee has taken the time and the effort to come to our area and see firsthand the challenges that we face here on the farm.

The history of the beet sugar industry in Montana has been a long and often difficult one. We do not have many alternative crops that can be grown in our State, so that is why sugar beets are so important. Without a factory to process our beets into sugar, we cannot market our crop.

Over the years, a total of seven sugar beet processing plants have been built in our State, and only two have survived; one in Billings, and one in Sidney.

In early 1984, the Great Western Sugar Co., operating the factory here in Billings appeared to be in serious financial difficulty. The growers of our association decided not to take a major risk and plant a crop that year. There were about 5,000 acres of beets that were produced in the Hardin area, which is east of here, and they were processed at the Billings factory.

That fall the company declared bankruptcy. The inability to produce a crop or producing one and delivering it to a factory that went bankrupt left deep economic scars on producers and suppliers and sent economic shockwaves throughout this area of the State.

When farmers refused to plant beets in 1984, they turned to producing corn for silage because our feed grain prices were low, and our corn and wheat base was insufficient to participate in the program.

Consequently, the surplus feed which was produced on beet ground drove silage prices down for the nonbeet grower as well. So regardless of whether or not a farmer grows beets this industry directly affects him.

We are proud of the high quality crop that is produced in Montana, and our beets rank as some of the best in the country. However, sometimes mother nature throws us a curve ball. We are experiencing a problem this year called "curley top," and some fields will have to be abandoned.

Last Thursday night, a terrible hail storm passed through the area, completely defoliating many acres of beets. When the tops are torn off the beets, it takes sugar from the beet to grow new ones. What was a promising crop, in many cases, is now a disaster.

When these things happen, it outrages us to hear self-proclaimed consumer groups and large industrial sugar users try to tell the public that our program guarantees us a return and a profit.

Mr. Chairman, I would like to discuss how important the sweetener industry is to Montana's economy. In a recent study by Landell Mills Commodities, the direct and indirect economic impact on our State is $216 million. While that may not seem like a lot of money in Washington, DC, it is essential to the communities in rural Montana.

Over 2,100 jobs are also involved in the production and processing of sweeteners in our State. With the phasing down of the oil industry, we not only need to attract new industries into our area, but we need to do everything in our power to keep the ones we already have.

All you have to do, Mr. Chairman, is drive through many of these small towns and ask the merchants how important the beet industry is, and they can tell you.

For example, when we were shut down in 1984, the migrant laborers that normally came and worked in the fields and spent their money in the small towns did not come. And I can tell you that it really made a difference to the merchants.

We must maintain the effectiveness of the current Sugar Program in the 1990 farm bill. I realize some minor changes may be required to comply with the GATT, but we must maintain current production with some increase in the loan level over the course of the bill. We have not seen an increase in the loan rate since 1985, and our growers deserve one.

We understand the budget constraints which this country faces, but since no tax dollars are spent on our program, there is no need to look to the Sugar Program for any savings. The agricultural portion of the Federal Budget is so small anyway that no commodity ought to have to take any cuts. The American consumer is getting an excellent value for their food dollars.

We also believe there is a lot of propaganda being peddled by opponents of our program that the United States will soon be self-sufficient in sweeteners, and maybe even become exporters. I don't believe this to be true, and I think that we can assure some minimum level of imports.

Mr. Chairman, our growers are all very concerned about the GATT negotiations and their impact, not only on sugar, but on other commodities, as well. Our concern is that when agriculture gets tossed into the negotiations with many other issues, it may well be the bargaining chip in the end.

We do not want to see some international body dictate what this distinguished committee can or cannot do in the future. We strongly urge you to keep a very close and constant watch on these negotiations and hope that whatever is gained or traded away has the Agriculture Committee's blessing.

All agricultural commodities must be unified in both the 1990 farm bill and these important GATT negotiations.

In conclusion, Mr. Chairman, I wish to thank you for the opportunity to appear before you and I will attempt to answer your questions.

[The prepared statement of Mr. Kuntz appears at the conclusion of the hearing.]

Mr. **Glickman**. Thank you very much.

Mr. Steinbeisser.

STATEMENT OF DONALD J. STEINBEISSER, PRESIDENT, MONTANA-DAKOTA BEET GROWERS ASSOCIATION

Mr. **Steinbeisser.** Mr. Chairman and members of the committee, my name is Don Steinbeisser, and I have been a farmer and rancher from Sidney, Montana for the past 30 years.

I am president of the Montana-Dakota Beet Growers Association, which consists of over 230 growers, producing sugar beets on over 36,000 acres. The growing area begins in Williston, North Dakota on the Missouri River, and follows the Yellowstone River for 120 miles, ending in Miles City, Montana. Our beets are processed by the factory in Sidney, which is owned and operated by the Imperial Holly Sugar Co.

U.S. consumers and sugar producers face a serious problem, the problem of vicious price swings in the world sugar market. For example, world sugar prices ranged from as low as 2.7 cents per pound to as high as 41.1 cents per pound during the 1980's.

Rapidly rising sugar prices give food manufacturers an excuse to raise the price of sweetened products. However, when sugar prices plunge, the price of those sugar-containing products remains the same. The consumer is stuck paying the higher price while the food processor, wholesaler, and retailer increase their profit margins.

When world prices plunge, they fall below the cost of production in most, if not all, producing countries. Industries not insulated from this market by their governments are devastated. Since the mid-1970's, we have been exposed to the world market for two short periods and have seen over 20 sugar beet factories in the United States close their doors due primarily to this instability.

The primary cause of the violent world market price swings is that exporting countries dump surplus "homeless" sugar on the world market after their domestic needs are met and bilateral contracts have been filled. Our industry is often accused of needing a program because we are inefficient and a small and insignificant part of the U.S. agriculture. Neither of those accusations could be further from the truth, and I wish to address them.

The U.S. sweetener industry is efficient. The economic research service of the USDA, in conjunction with Landell Mills Commodities, recently published a summary of world sugar and high fructose corn syrup cost of production survey. The result of the survey shows that of the 12 major high fructose producing countries in the world, the United States was the lowest-cost producer. Of the 31 beet sugar-producing regions around the world, the U.S. ranked seventh most efficient.

Finally, of the 61 raw cane sugar-producing countries, the U.S. ranked 33d. If all countries eliminated their subsidization and protection of their sugar industries, the United States would not need a Sugar Program and our industry would fair very well.

We have a comparative advantage over many foreign producers in spite of additional costs. Our Government at the Federal and State levels has imposed various social, safety, and environmental costs, which producers in many other countries are not subject to.

One of the biggest cost differences we have with foreign producers is labor costs. In this country, we believe, and rightfully so, that people who work in our fields and factories ought to receive a decent and respectable wage for the work that they perform. Many foreign countries pay slave wages to their workers.

In summary, Mr. Chairman, we are an efficient industry. The U.S. sweetener industry is neither small nor insignificant. There are 104 beet, cane, and corn refineries in 26 states supplying our sweetener needs. Over 1 million beet, cane, and corn farmers benefit from this industry.

A comprehensive study of the sweetener industry by Landell Mills was released earlier this month. The conclusion from the study was that over 361,000 people are directly or indirectly employed in the sweetener industry, and the direct and indirect economic impact comes to approximately $18.5 billion per year. At least 42 States are involved in supplying raw materials, goods, and services to produce sweeteners.

Mr. Chairman, the Sugar Program has worked well. The sugar provisions in the 1985 farm bill were a simple refinement of the 1981 bill. The objectives of the 1985 bill are as follows.

The first and most important objective is to avoid shortages of this important commodity. The second objective is to stabilize the price at a fair and reasonable level for consumers. U.S. consumers pay the average price for sugar compared to consumers throughout the world.

The third objective is to stabilize prices for producers. The program provides for an orderly marketing system, allowing sugar to be sold through the year. The sugar industry needs more stability than many other crops because sugar beets and sugarcane are high cost and high value crops requiring a large investment in specialized equipment. Growers and processors depend on one another, and if either falters, we are out of business.

The fourth objective is to encourage efficient production. The legal minimum loan rate set at 18 cents per pound has remained unchanged since 1985. As inflation increases, producer costs increase, and we have to continue to increase our efficiency.

The fifth objective is to avoid Government outlays. With the budget deficit looming over all Government programs, we believe that adding "no cost" provisions to the sugar provisions would eliminate exposure to the taxpayer and make sure the administration correctly operates the program.

The recent challenge to our program brought by Australia with the dispute settlement process of the General Agreement on Tariffs and Trade—GATT—has now forced us to look at some modifications of our program. What those options may be are still under review by public and private lawyers; however, this issue brings me to point on that the GATT negotiations, which I would like to address.

Growers in our area are very skeptical of the whole GATT negotiation process. While we have a commitment from the President and pledges by Secretary Yeutter and Ambassador Hills not to unilaterally negotiate away sugar, they seem to let the dispute settlement process work its will against the program.

In 1987, our industry asked the U.S. Trade Representative, Clayton Yeutter, to initiate a section 301 challenge against the European Community's sugar regime. The response was, "No," that we should take up and resolve our trade differences in the Uruguay Round of negotiations.

Since that time, our program has been successfully challenged by Australia. Now our trade representative has accepted another challenge on quotas of sugar-containing products under section 22 by none other than the European Community.

I believe they have found a way through the GATT dispute process to isolate Congress and the affected industry and allow international pressure to come to bear on our program. Their actions certainly speak louder than their words.

If the administration's past performance is any indication of future performance in negotiations, then our growers are forever skeptical about GATT. All you have to do is to ask how the Durum wheat industry is faring under the Canadian Free-Trade Agreement, and agriculture ought not be able to sleep nights until the GATT negotiations are over.

On behalf of our growers, I ask your committee to keep a vigilant eye on GATT. Thank you, Mr. Chairman, for the opportunity to appear before you today.

[The prepared statement of Mr. Steinbeisser appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much.

Mr. Jones.

STATEMENT OF CALVIN K. JONES, VICE PRESIDENT, AGRICULTURE, HOLLY SUGAR CO.

Mr. JONES. Mr. Chairman, my name is Calvin Jones, and I am the vice president of agriculture of Holly Sugar Corp., which operates a beet sugar factory in eastern Montana at Sidney.

It is my intention, in the interest of brevity, to summarize my written remarks. I do, however, request the full text of my testimony to be made a part of the written record of this hearing.

We are keenly aware and appreciative of the fact that members of this subcommittee are taking time from their congressional district work period to hold these hearings, thus reducing time spent in their own districts. This is a direct indication of their dedication to the task of writing comprehensive and responsive farm legislation in 1990.

I am also aware that, while this is the Wheat, Soybeans, and Feed Grains Subcommittee, you have welcomed me as a witness to discuss the Sugar Program, a totally different aspect of farm legislation, but nevertheless an integral part of the overall package of commodity programs that must be considered by the Agriculture Committee.

As the number of people who produce our Nation's food and fiber continues to lessen, we must recognize the importance of banding together into a coalition of agricultural interests in order that our voices will be heard. Sugar beet growers and beet sugar processors have been part of this coalition and plan to continue to work with other commodity producers.

There is, however, a unique difference between beet sugar and other commodities, this difference being the participating contract. Unlike a wheat grower or feed grain producer who sells their crops at the local elevator, the sugar beet grower actually shares in the selling price of sugar throughout the marketing year.

We often hear from critics, "The Sugar Program is a consumer rip-off." The facts are, first of all, the retail price of sugar in the United States since the Sugar Program was initially enacted in late 1981 has averaged below what it averaged in the 3 years prior to that enactment.

Second, the retail price of sugar in Washington, DC, is, according to the U.S. Department of Agriculture's Foreign Ag Service, currently below the average price paid in 15 other major world capitals.

Critics say, "The Sugar Program has stimulated an expansion of domestic production and provided an umbrella under which the production of corn-based sweeteners has been able to expand dramatically." The fact is, again, Mr. Chairman, that while it is true beet sugar production has been gradually on the increase, it has never reached the level of 1975 when there were 56 beet sugar factories in operation, compared to 36 today.

In 4 of the 7 years the program has been in operation, beet sugar output has been below the level of the previous year.

With regard to corn-based sweeteners, once researchers found a way to commercially extract fructose from corn in the late 1970's, expansion of high fructose corn syrup distribution was inevitable since its production costs were lower than sucrose anywhere in the world.

Because of the Sugar Program, this expansion has come at the expense of imports, not domestic producers; and high fructose corn sweetener production currently utilizes 535 billion bushels of corn per year, which is 20 percent of the corn sold commercially, with the addition of the 25 cents per bushel to the price growers receive. That's a good deal for the American farmers.

Insofar as the "umbrella" concept is concerned, USDA figures show high fructose corn sweetener-55 was discounted to sugar prices last year from 11.5 percent to 36 percent, a clear indication there is a competitive market for producers and sellers, as in sugar, with no constant correlation between sugar and high fructose.

The claim, "The Sugar Program costs consumers $3 billion a year and benefits only a relatively handful of producers," has also been used by critics of the current Sugar Program. The facts are the $3 billion claim is an untruth, and anyone claiming otherwise should be challenged to produce the facts and figures to back up this claim.

Recently, a study completed by the London Commodities Studies firm of Landell-Mills concluded, and I quote:

> The direct and indirect impact of the sweetener sector upon the revenues of the U.S. industry is $18.459 billion, while the sector's direct and indirect generation of employment is 361,000 full-time jobs.

We are not prepared this day to make a specific recommendation or proposal for adoption of a Sugar Program in the 1990 farm or food bill. We recognize there are numerous areas of discovery which must be faced in the development of the program. We believe the present program has worked well at no cost to taxpayers.

We at Holly support the concept of maintaining an import quota and suggest some means of market control over our entire domestic sweetener industry.

We recognize the dynamics of the Montana sugar industry with our beet sugar factory employing approximately 400 workers during campaign and 140 people on a year-round basis. Our annual payroll approaches $4 million, while State, Federal, and local taxes total approximately $850,000. You can see the impact of the sugar beet industry to eastern Montana and the entire State.

In summary, I would like to expound briefly on another area which benefits from the sugar industry in Montana, specifically, our operations at Sidney. There are 20 States and at least 2 foreign countries that produce the variables which go into the growing and processing of beet sugar in Montana.

Mr. Chairman, your home State of Kansas is no exception as we purchase several supplies and parts from vendors there to help in the production needs of making sugar here in Montana.

Once again, I thank you for your keen interest in hearing from the beet sugar industry and the time you have afforded us during these hearings.

[The prepared statement of Mr. Jones appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much.

STATEMENT OF DONALD W. BERNHARDT, AGRICULTURE MANAGER, WESTERN SUGAR CO.

Mr. BERNHARDT. Thank you, Mr. Chairman and members of the committee. My name is Donald Bernhardt. I am the agricultural manager of the Western Sugar Co. here in Billings, Montana. The Western Sugar Co. owns and operates seven beet sugar refineries in the States of Nebraska, Colorado, Wyoming, and Montana.

I want to thank you for the opportunity to appear before your committee, and especially for bringing the hearings to the local areas where the commodities are produced and the livelihoods of so many are directly affected by agriculture and the processing of agricultural products.

Your presence here today also reenforces the belief of Montanans; that legislation which has a significant impact on the State of Montana is written and implemented by elected officials of the United States, and not some bureaucrat in Brussels or elsewhere who has little or no interest in the American agricultural community.

The domestic Sugar Program probably has a greater impact on Montana than the other sugar producing States in America. Due to our climate and relatively short growing season, Montana does not have the option of a number of alternative crops that some of the other beet producing areas enjoy.

In our beet producing area, Western Sugar contracts for approximately 30,000 acres of sugar beets with about 263 growers. About two-thirds of these growers rotate their beet crop with malting barley, the other major crop of the irrigating producers. The balance of our irrigated cropland goes into feed grains, corn primarily for silage, some beans, and alfalfa. However, it is the beets and malting barley which provide the stability as cash crops for the producers. This is especially significant of the beets due to their ability to sustain the ravages of nature.

Sugar beets have a significant impact in the State of Montana. Not only do we produce one of the few value added products produced in Montana; we also expend considerable dollars into the local communities where the beets are produced and here, in Billings, where the crop is processed.

In addition, we are helping reduce the trade deficit. While local feeders and ranchers purchase a considerable portion of our byproducts in the form of beet pulp pellets and molasses, we also export approximately 70 percent of our pulp pellets to countries such as Japan, Germany, and Ireland.

Since acquiring the Billings plant in April 1985, we have reinvested approximately $4 million in the plant. We also have input into the community significant dollars on an annual basis through such items as plant payroll, unemployment, worker's compensation, multiple purchases toward mill operations, receipt payments to the farmer/producers for their sugar beet crops which is the raw product for the mill, and property taxes, for a total annual dollar figure of approximately $40 million.

I would also like to point out that considerable amounts of our supplies, fuel, and equipment are produced from outside the State of Montana. This sugar beet industry has a significant impact throughout the United States, not just within the beet producing area.

Although sugar is a small part of the farm bill, it has, as always, drawn considerable attention, mainly due to the efforts of the large, very profitable sweetener users. The 1985 farm bill has achieved everything that it was expected to do, namely a program that cost the Treasury nothing, and produced or provided for a stable, cost effective supply of product to the American consumer.

When the 1990 farm bill is under consideration we ask your support of a sugar provision at or above present levels.

I thank you for the opportunity to appear before your committee, and will also be happy to answer any questions.

[The prepared statement of Mr. Bernhardt appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you, very much. Now, Mr. Dwyer.

STATEMENT OF JOE DWYER, PRESIDENT, INTERSTATE COUNCIL, TEAMSTER SUGAR WORKERS

Mr. DWYER. Mr. Chairman and members of the committee, my name is Joseph Dwyer and I appreciate the opportunity to be able to testify here today.

As president of the Inter-State Council of Teamster Sugar Workers, I am here to represent the members of the International Brotherhood of Teamsters Sugar Worker Local Unions. I would like to talk a little bit about the existing sugar policy and what the legislation means to our members.

The sugar policy and legislation eases the erratic highs and lows seen in the industry during the middle 1970's and early 1980's. In this time period we saw Teamster sugar locals in the States of

Montana, Wyoming, Kansas, Nebraska, and Colorado go from 16 locals in 1972 to 5 locals in 1985. This resulted in the loss of over 2,000 full-time and seasonal jobs. These numbers do not reflect the amount of farmers who were forced out of the sugar beet industry, nor does it reflect the financial impact on the communities where the sugar mills once operated.

Late in 1984 and early 1985 the sugar industry in the Rocky Mountain area came crashing down with the fall of the Great Western Sugar Co. Thousands of skilled sugar workers and farmers were left without jobs or livelihoods. The union contended then as now that the prominent reason for the downfall of Great Western was due to the import of cheap foreign sugar. The union filed a petition with the U.S. Department of Labor for trade adjustment assistance for our members who lost their jobs.

The Labor Department denied our claims, but we fought and took our case to the U.S. Courts of International Trade, who, after reviewing the case, returned to the Labor Department for redetermination of our claim. Once again the Labor Department denied our petition, but we will fight on.

One of the biggest fears we had back then was that sugar companies are not just shut down and let set for a period of time and then restarted. Farmers can't sit on expensive beet machinery in hopes that they can use it again. Skilled sugar workers must find other work to feed their families, many times moving away from the towns where the mills were located.

Trying to replace skilled sugar people who have moved could be an almost impossible task where it takes 5 to 10 years to reach the expertise of a sugar technician. Without farmers, farm equipment or skilled workers reopening any sugar plant would be extremely difficult, to say the least.

Since 1985 things have gotten somewhat better. Tate and Lyle formed Western Sugar out of the old Great Western and some of our members are back to work. Western is committed to the sugar industry and is becoming a respected producer. Western, like the entire sugar industry, deserves a chance, a fair chance, to survive.

Gentlemen, the current Sugar Program allows the U.S. sugar industry to compete fairly with highly subsidized foreign sugars. It provides jobs for at least 100,000 hard-working Americans. Let's not lose any more American industries, let's continue or improve the Sugar Program.

Thank you.

[The prepared statement of Mr. Dwyer appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you. I would say that while at one time we had a little sugar industry in Kansas, it ceased to exist, and I think that some of the reasons you pointed out indicate why that happened. I would just make a couple of points and ask you one question. One, with respect to this GATT or the trade negotiations, I don't know who said it, it may have been Mr. Steinbeisser, about the administration isolating Congress, maybe it was Mr. Kuntz, who said it. I want you to know that I am sure neither Mr. Smith, Mr. Marlenee, nor I are going to be party to any unilateral agreement in Geneva or wherever. It forces upon us to adopt domestic farm policies that we don't come up with ourselves. Now, we may not always agree on sugar policies, but it ought to be done through the normal legislative democratic process, and not through an agreement made overseas that does not have the consensus of legislators and the political consensus of this country as well.

We made that point to the administration as well, we told them not to negotiate an agreement that you think we are just going to ratify because we may not ratify what you do, period. And I think that is true not only with sugar, but it is true in other things as well.

Second of all, I would ask you, do the corn growers generally agree with you in terms of domestic sugar policies?

Mr. STEINBEISSER. Yes.

Mr. GLICKMAN. Does everybody pretty much agree with that, that the fructose industry and the corn growers, do they seem to be in accordance with the domestic sugar policy?

And the third question I have is this. We talked a little bit last night at dinner when we ate about the sugar policies which are difficult to compare with other farm policy items because when we are thinking about going with mandatory supply management and putting on import quotas in terms of corn and wheat and other commodities, we are constantly told, you are going to turn the wheat and corn industry into the sugar industry. You are going to have artificially too much commodities produced in the world and continuous over supplies, and you are going to have to have some sort of indirect mechanism where you are protected by import quotas or tariffs, and limitation of corn and wheat and soybeans and everything else. And I just wonder how you would respond to that. I mean, do we have a perpetual over supply of sugar in this world; and if we do, might there be another way of looking at the world sugar programs in trying to deal with that problem?

Mr. STEINBEISSER. Right now, Mr. Chairman, the world doesn't have an oversupply of sugar, there is the reason the world market is coming in. I think in my testimony I mentioned that with all the countries in the world, if you live there, you are guilty of the——

Mr. GLICKMAN. So, let's go back and get that. What if we can persuade the Europeans and everybody else to get rid of their over subsidization like we are trying to get them to do in the sale of grains overseas. Then would you at that point say that this domestic Sugar Program is not necessary anymore?

Mr. KUNTZ. We think we can compete in a fair market, we are not talking about free markets, we are talking about fair markets.

Mr. MARLENEE. I think we are pursuing an interesting course because I believe that Mr. Steinbeisser said that after they fulfilled their domestic markets and unilateral contracts, after they were filled, why they have a surplus of sugars that have been subsidized by these sales of unilateral contracts and domestic sugar. And what he was saying is that they have no internal discipline in their markets. We have internal disciple in this country in the Wheat Program and the Corn Program and in the Sugar Program, and we are saying that some of our trade people are saying well, let's allow these countries that don't have internal discipline to flood our markets.

I think this is interesting. In looking at Australia's approach to the GATT, that is the one that got us in trouble. That is seeing what kind of internal discipline Australia has.

Mr. **Glickman**. Well, I guess my point is true. The internal discipline we have on our wheat and corn markets is that we have supply management and we tell producers you will reduce your acreage 25 percent in order to qualify for farm benefits, and that is how we get supply and demand pretty much in order. We do not have that in the Sugar Program. And so what we have in the Sugar Program is a unique program.

Mr. **Marlenee**. Mr. Chairman, yield again. I think we do have internal discipline inasmuch as you are saying to people over there that exercise some control and discipline on the market as much as they give these people the contracts necessary to fill the needs. Am I correct or am I mistaken there?

Mr. **Jones**. Our control is based on plant capacity, the ability to process sugar beets and that is basically our control.

Mr. **Glickman**. I don't hear any overwhelming thought or desire to change the Sugar Program. I don't come from that perspective. Although I suspect that when we hit the 1990 bill we will hear a lot of the same voices that pushed in the past. I voted with the sugar industry on the previous farm bills, but it is true that the concepts underlying the Sugar Program are different from the concepts underlying our other major commodities programs. That is clear. And so therefore, it makes it so that the justification of the program has to be very clear because the general feeling will be, why don't you deal with sugar the same way you deal with wheat and corn, and we just haven't historically done that. It is something that you all are going to have to answer for us next year for us to reauthorize the legislation.

Mr. **Jones**. Mr. Chairman, we are not dealing with two different aspects basically with importing nations with sugar while we are an exporting Nation of wheat grains.

Mr. **Glickman**. Yes, that is one difference, although the percentage of our imports—what is the percent of our imports as compared with sugar utilization in this country? I would assume we produce way more sugar than we import. Is that a fair statement? Is it like 10 to 1, 20 to 1, does anybody know how much it is?

Mr. **Steinbeisser**. Ten to one.

Mr. **Glickman**. So the level of our imports is down to about 10 percent. OK, well listen, I think this has been very useful for me. I appreciate your testimony very much.

Mr. Marlenee.

Mr. **Marlenee**. Mr. Chairman, what are the values of the plants in rough terms, the investment in the plants if you were to build right now in Billings?

Mr. **Jones**. If you were not to process sugar beets?

Mr. **Marlenee**. No, no. What are the values, dollar values of the plants right now as you may estimate it?

Mr. **Jones**. I don't have the figures, but I will get it for you in a second.

Mr. **Marlenee**. Could you give me some type of guess?

Mr. **Jones**. Yes, $125 million estimate just to build a plant. I made a statement here before——

Mr. **Glickman**. Mr. Bernhardt.

Mr. **Bernhardt**. Congressman, are you asking the cost of building a new plant or to operate the present facility?

Mr. **Marlenee**. Yes.

Mr. **Bernhardt**. Replacement?

Mr. **Marlenee**. Yes.

Mr. **Bernhardt**. It would be a guesstimate on my part but maybe the figure that Mr. Jones just gave of $120 million would be a very large amount.

Mr. **Marlenee**. And the reason I ask that bottom line figure, $125 million plus, or $100 million plus in plant investment, it would be, as Mr. Dwyer said, virtually impossible and I think he makes a good point. Once this industry was dismantled due to a market disruption, it would be virtually impossible to restart that kind of an industry in the State of Montana. Does anybody else have an idea?

Mr. Dwyer, you brought that out in your testimony.

Mr. **Dwyer**. I think it is pretty much a known fact that once a sugar factory shuts down, I mean I don't know of that many cases where they have restarted. Once you lose it, you lose it. I don't know if it is the fact that people move away or due to the fact that it is deteriorating somewhat but that is what our fear is that we do not want disruption like you say, and the wheels to sit idle because we fear that they couldn't be started even if Congress decided that they wanted to implement some sort of a sugar policy again.

Mr. **Marlenee**. Yes, I think that is a good point. There were several good points that were made. Domestic markets, unilateral contracts, Mr. Steinbeisser made that. Migrant workers, and I think that they seldom are considered when we are talking about the impact of allowing sugar from, say, Central American countries where wages are very low. Now, there is no internal discipline coming into this country. And then the value added, which one of you mentioned the value added. I think that is a good point. This is one of the industries in Montana where we have a value added. We are always talking about processing and value added goods coming out of the State of Montana where we are rich in natural resources. We appreciate the industry we have. Thank you.

Mr. **Glickman**. Thank you. Mr. Smith.

Mr. **Smith**. Thank you, Mr. Chairman. I don't think there is any doubt that your argument would be substantiated, that this sugar policy we have been following since 1981 has stabilized the sugar market in the United States. I make that point that it has directly improved it.

There is also, I think, a point we must continue to make, and that is that sugar policy is no net cost to the Federal Government. And if we can continue that point, then I think we can argue about the 18 cent, 19 cent subsidy. And those points have to be consistently made, in my opinion, and then if the Sugar Program starts costing the Treasury money, the Sugar Program is in deep trouble. And I think we all agree on that.

I wanted to underline the chairman's statement about the GATT. I personally have followed the GATT negotiations very carefully since the beginning of the Uruguay Round, and I have been to Geneva twice with our negotiators, and I was in Montreal in mid-term with GATT, which, as you know, will end in 1990. Our great concern at the time, and one raised here, has been that we never take one commodity and negotiate against it. We include all of agriculture when we are at our GATT negotiations, and we have done that.

By the way, your industry has always had representatives at every negotiating meeting and you should continue to, of course, to monitor these proceedings. It is good to be cautious.

But as the chairman mentioned, and I am going to restate, the very reason for the GATT, is the problems we have had in agriculture and trade. The Uruguay Round was designed to take care of agriculture first. So we have focused the world on agriculture as we should, and our negotiators are not trying to preempt Congress; that is the very reason we are writing the farm bill of 1990 earlier than 1990, so that we can tell our negotiators that this is what America wants in the farm bill and you are to follow our lead. This is how you negotiate. So I don't fear that you might state in this bill that somehow sugar is going to be identified and it will all work out.

The point you make here about the 301 positions, you do know you can bring your own 301 action, you don't have to have the Federal Government do it. If your industry wants to, there are several ways to bring 301 actions. The industry can bring them. You don't have to have permission of the Federal Government. You can do it. I want you to know that. So that you are not restrained by Federal actions, you can decide to bring a 301 action against Australia or anybody else.

The question I want to ask, and I have heard this and I have been the defender, by the way, of the Canadian Free-Trade Agreement, I voted for it, I spoke for it. I have always heard problems of the Durum wheat industry. I point out all you have to do is ask how the Durum wheat industry is fairing under the Canadian Free-Trade Agreement. How is the Durum Wheat industry fairing under the Canadian Free-Trade Agreement? Someone tell me.

Well, I have heard the gentleman's argument.

Mr. **Marlenee**. We are going to have a panel from the Durum wheat industry very shortly.

Mr. **Smith**. Well, this gentleman made a statement here. I was just trying to clarify it.

I only want to make a point, that we have all been sensitive about the Canadian Free-Trade Agreement and there is a provision under section 22 to bring faster action, I guess in Canada, if indeed they either dump wheat on our market at a cheaper price or subsidized price, or any commodity. So we have fast-track remedies that can be used and if there is a problem with their wheat industry, we will visit about that and then that action ought to be taken. With Canada, it is not following this agreement, this dumping wheat at a lower price than it can be produced or a subsidized price, then we have action that we can take.

Mr. **Glickman**. Thank you. I want to thank this panel. I appreciate your testimony very much and we will work with you as we develop further legislation next year.

The next panel, I just have two witnesses on this panel. Pam Langley with the Montana Agri-Business Council and Mr. Dan Farmer with the Billings Chamber of Commerce.

Ms. Langley.

STATEMENT OF PAMELA J. LANGLEY, EXECUTIVE DIRECTOR, MONTANA AGRICULTURAL BUSINESS ASSOCIATION

Ms. LANGLEY. Mr. Chairman, members of the committee, my name is Pam Langley. The Montana Agricultural Business Association appreciates the opportunity to express its views on issues related to the formulation of the 1990 farm bill.

This association is a voluntary, nonprofit association with about 230 members who serve the farm community. Today in testimony, I would like to make two points in particular.

First, in developing the bill, Congress must consider the impact of the legislation on the entire agricultural community, not just the farmers. Rural Main Street business in Montana has suffered with the CRP program. When farmers place their land in CRP, they do not buy gasoline and diesel to run their tractors and combines, they do not buy fertilizer and chemicals because they have no crop, they do not buy tires nor need repairs on their equipment, they do not bring grain to elevators to be sold or stored, they do not hire help on the farm. In general, in Montana they pay off their loans to banks but spend little else in the rural communities.

The net result is that these increased set-aside acres are a disaster for rural America—forcing a downsiding of the agricultural base and the infrastructure that supports Montana farmers. While we have not been opposed to CRP we are concerned about the amount. In our rural State, it is not unrealistic to expect that farmers will be traveling 100 miles and more for basic input items and everyday living necessities simply because when rural business loses one fourth of its market, it is difficult to stay in business. In addition, while Congress through CRP is reducing market base for our members, the EPA and OSHA are adding more and more costly and time-consuming regulations.

We recognize, however, that there are currently approximately 31 million acres signed up in the CRP and that the goal is 45 million in 1990. We would urge Congress to broaden the land eligibility criteria for inclusion in the CRP in the new farm bill. It only makes good sense to remove from production those lands that add to conservation practices and lands that cannot be farmed without potential environmental harm.

In addition, because of increased exports and the drought of 1988, the U.S. commodity supply levels are in a much better balance today. The United States does not have the record commodity surpluses that had such a major influence in developing the 1985 farm bill. Thus, the 1990 farm bill should minimize acreage reduction programs.

The second point I would like to make today concerns ground water which is one of the major challenges facing agriculture today. And many also see the 1990 farm bill as the place to deal with it.

Our association believes strongly that through research, increased education, public information, and adoption of agronomic best management practices or BMP's and finally regulation when it is appropriate, and only when it is appropriate, our ground water can be protected.

To that end we drafted house bill 757 which was mentioned this morning, which was passed by the 1989 Montana Legislature. We have provided the committee a copy today. This legislation was supported by the farm community, the Montana Grain Growers, the Montana Farm Bureau, and the Montana Farmers Union as well as the environmental community. It provides for research and education as well as BMP's to be established by the Montana Department of Agriculture in conjunction with MSU. It also provides for regulation when appropriate. This approach is not a blanket reduction in chemicals and fertilizers nor a preference for manures as opposed to commercial fertilizer, which some suggest is the only way to protect the ground water. Instead, it helps the farmer protect his land and his ground water that he and his family drink while enabling him to make the management decisions on his farm. And it does not presume that land and ground water are the same in every county or even every township. It is the scalpel instead of the butcher knife approach.

We also are supportive of BMP bills that are in Congress and one that has been passed last year through the House.

In summary, an approach similar to this year's Montana legislation plus maximum flexibility within the Government programs will give farmers the opportunity to develop farming systems that maximize production efficiency and environmental protection. This approach will help ensure a truly sustainable American agriculture.

Thank you.

[The prepared statement of Ms. Langley appears at the conclusion of the hearing.]

Mr. Glickman. Thank you.

Mr. Farmer.

STATEMENT OF DAN FARMER, CHAIRMAN, LEGISLATIVE AFFAIRS COMMITTEE, BILLINGS CHAMBER OF COMMERCE

Mr. Farmer. Thank you, Congressman. Good morning Congressmen. My name is Dan Farmer, and I am chairman of the legislative affairs committee of the Billings Chamber of Commerce. I thank you for the opportunity to appear before the House Agriculture Subcommittee on Wheat, Soybeans, and Feed Grains.

Today I intend to address three issues as they relate to agriculture and Main Street business. Those three issues are; the 1990 farm bill, the CRP or Conservation Reserve Program, and what the sugar industry means to the Billings area.

First, I would like to address the 1990 farm bill and a provision that is being considered in that bill. Specifically, we are aware of the conservationists' concerns over the use of chemicals in agriculture. What we all need to remember is that the farmers and ranchers were the very first stewards of the land. One of their foremost concerns over the years has been with that irreplaceable commodity, land, without which their operation would cease to exist.

In certain circles there are discussions of banning or severely restricting the use of chemicals. The chamber is concerned that onerous regulations could have a negative impact on the producer and a devastating impact on our main street businessman. We encourage the committee to carefully review the recent technological developments in both the use and application of chemicals as you craft the language in this bill.

In regard to CRP, the chamber wants the committee to know that it very strongly acknowledges the need for conservation practices. We would also like to thank Congressman Marlenee's efforts to cap the CRP allowable acreage of a county to 25 percent.

Please recognize that as we take the land out of production we are impacting the Main Street businesses not only in many cities and towns of eastern Montana, but also here in Billings. The very services that the agricultural producer needs begin to disappear because of a lack of demand. That is not good for those cities and towns, nor for those producers who are left without a local supplier of these commodities. And rest assured that there is a ripple effect from those same cities and towns back to the district and regional operations here in Billings. The end result is that the Main Street businessman is criticized for not being responsive to agricultural needs; but he truly is reacting to the market demand that was affected by this Government program.

I know there are many more to speak and I know that sugar is truly not in the scope of this subcommittee, but let me take just a few minutes to talk about the extreme importance of sugar in the Billings area.

The national media has tried to demonstrate that there are only 12,000 producers that benefit from the sugar support in the farm bill. Billings, as the home of a sugar refinery, can really point out where that is less than accurate portrayal of the facts. Let us not get mired down in the rhetoric concerning what the farm bill does for stable prices or a consistent supply, but rather look to what the sugar industry means to Billings.

First and foremost is the fact that the Western Sugar refinery is a value-added process, something that every city is always looking for under the guise of economic development. One need only look to the efforts recently expended to lure the malt barley plant to Billings or the canola plant to Butte to see how prized this value-added plant means to this area.

I am going to take a couple of minutes more to briefly cover a few numbers. The sugar industry contributed roughly $37.7 million to this area's economy and accounted for some 3,090 total jobs which represents about 1,713 full-time equivalent jobs. Agriculture is important to Billings and the sugar industry is likewise important to Billings. The agricultural producer could not get the same return on investment from an alternate crop and the Billings area would truly lose even more due to the loss of the value-added plant in Western Sugar.

Thank you very much for the opportunity to testify today.

[The prepared statement of Mr. Farmer appears at the conclusion of the hearing.]

Mr. **Glickman**. Thank you very much. I will say you have a lovely town here. I am not sure I am ready yet to move because I don't know if I want to run against Mr. Marlenee. He seems to be too strong here, but this is a fine place.

I would like to just make a couple of comments. One is your point is well-taken when we pass things in a bill with good intentions like, for example, the Conservation Reserve, it has an effect on other segments of the economy. If you take a lot of land out of production, it has an effect on the county, State, in terms of agribusiness and the ability of the commercial world to survive.

I think as we look at the 1990 farm bill, we will consider those concepts as well. We do have a lot of competing concepts when we write this bill, though. In my judgment, the big issues of next year's Food Security Act may not be with the target price or what the loan rate is going to be or what the set aside is going to be, it is going to be ground water and pesticides, and conservation-related issues and trade.

The other thing is it is important to remember roughly only 20 percent of the congressional districts in this country are predominantly rural. Eighty percent are urban and suburban, including my own. I am the most urban member of the Agriculture Committee. Coming from Wichita, Kansas, I sometimes think we would be a heck of a lot better off if we had a lot of urban members on the committee, if we shared this thing. What we tend to do is say OK, only farmers are interested in agriculture, so everybody else goes on the other committees in Congress. I think it is a bad idea primarily because the numbers work against us, but I think what we have to recognize when we write next year's farm bill, we have to, we are all in this together, production of food and fiber is probably the greatest strength America has, so we have to bring in everybody, so we should not look at this as a "we versus them." We farmers versus the rest of the world and why don't they know how it is out here. If we do that, we are never going to get any place because we don't have the numbers. And what we have to talk about is "we and we." I think the sugar panel last time kind of talked about that so I thought that was real good. In terms of the business community, I think it is strong, a good solid surviving agricultural program.

The other thing that is important, the chairman of our committee, Mr. de la Garza, talks about it all the time, is our $1.1 trillion national budget. The amount we spend on agriculture is roughly 2 percent of that budget. It is so small you can't even see it on a display chart, and we should not hide from what our investment is in agriculture in this country. It is very, very small, indeed, compared to the benefits that we have, and that is something again that our job on the Agriculture Committee is to try to make sure that the rest of the country knows and appreciates it as well.

I appreciate both your testimonies very much and I yield to my colleague from Montana.

Mr. **Marlenee**. Thank you, Mr. Chairman.

I just want to take the opportunity to echo what both of these people have said on the panel in a little different terms. We take the 25 percent set-aside and 25 percent land retirement program to the Conservation Services. Then Montana takes a 10 percent part

Acreage Reduction Program. That takes 35 percent of our production out. And then we look at a 30 percent wilderness on some of our national forests, 30, 40, becomes 50 percent with some of the national forests going into wilderness areas. Then we take the U.S. Fish and Wildlife Service and I am just guessing here but I think we have 18 or so U.S. Fish and Wildlife set-asides for the State of Montana. Then we take our State parks and we take our national parks, not that we are not proud of them and appreciate them. Then we add wild and scenic rivers and the question becomes how much basic resource productivity is left in the State of Montana after you have taken all those set-asides. I don't think we can afford any more conservation reserve programs and I appreciate your testimony in that regard.

Do you have figures that you can give me on the number of loss of businesses in the area?

Mr. FARMER. No, I don't, but I can look it up and let you know.

Mr. MARLENEE. I would appreciate that. We appreciate your testimony. Thank you.

Mr. GLICKMAN. Thank you.

Mr. Smith.

Mr. SMITH. Thank you, Mr. Chairman.

I also appreciate you folks making statements with respect to the Conservation Reserve. It appears to me that with stocks dwindling, wheat has less than 500 million bushels in storage and corn dropping substantially, that the effort for additional conservation reserves likely will be diminished as well. And I live in a State which has been entered just like yours and has a 25-percent gap. We would have had ghost towns, I suppose, but it has been very difficult for the small communities to cope with the Conservation Reserve Program.

In fact, there has now been evidence that the Department of Agriculture and administration are trying to provide incentives to grow more wheat because if there are dwindling stocks, there is fear we can't service our international markets and our domestic markets and we will be out of wheat.

They recommended several alternatives, and one of them I am going to recommend to them that is necessary, first of all, we don't want to destroy the price of wheat when we have finally got it to the point where we can at least live with it; but if they are interested, rather than destroying the price of wheat, maybe we ought to get out some of the Conservation Reserve we already have in. That is always a possibility. That is one alternative.

But on your question of ground water pollution. I think it is important that Montana has a good ground water program. There ought to be Federal guidelines, and I agree with that, but Montana is doing a good job and I think Montana ought to do it. Montana is even doing better than the Federal Government, and somehow we ought to let the States do this under Federal guidelines.

I served voluntarily for 2 years on the Public Works Committee and it is always fascinating to me that the point polluters make, the polluters have somehow shifted this whole argument. It is a grand scam. They have shifted it to agriculture. We know point pollution is something you can feel and see, that is when you catch a fish in the Potomac River and he will light up at night. That is point pollution. We know about that. We know about Boston Harbor. We know about dumping garbage in New York Harbor. We know about plant pollution and point pollution. We can't clean it up. We don't have enough money to clean it up, so how will we do it? We are going to agriculture saying, hey, we ought to take care of nonpoint pollution right away. They have done a number on us, folks. I tell you that it is time I think we did a number on them.

Thank you.

Mr. GLICKMAN. Thank you, very much. We appreciate your testimony today.

Next panel is Mr. David McClure, president, Montana Farm Bureau, Mrs. Jo Ann Forsness, president, Montana WIFE, and Ms. Helen Waller, from Montana Save the Family Farms.

Is Helen here? OK.

You may proceed. As I said before, remember your entire statements will appear in the record so we have the beeper on. Everybody has been doing a real good job today.

We will start with Mr. Siroky.

STATEMENT OF KENNETH J. SIROKY, BOARD MEMBER, MONTANA FARMERS UNION

Mr. SIROKY. Thank you. I am Ken Siroky, a board member and farmer-rancher from Roy, Montana. We do our best up here.

Gentlemen, the 1990 farm bill will be the most important one ever written and must be written from scratch as the Farm Act of 1985 has few redeeming characteristics or qualities.

It was written by and for argibusiness, administered by agribusinessmen from the U.S. Department of Agriculture and has given the American family farmer the business. Cases in point are Secretary of Agriculture Yeutter and Under Secretary for International Affairs and Commodity Programs Richard Crowder. The former was chairman of the Chicago Mercantile Exchange and the latter a corporate economist for Pillsbury. Both have roots in the farm but we all know where their future lies.

As a result, the focus is on the perpetuation of the cheap food policy and is a major driving force in the push for international free trade. Both goals are dependent on low prices, and in this it has been successful. This success has devastated family farm agriculture.

The most tragic effect of current farm policy is that through bankruptcy and CRP it has accelerated the separation of people from the land. It is ironic that two recent articles in "Farm Journal", August 1989 and "U.S. News and World Report" lament the exodus from agriculture in Russia and Poland respectively. A mental survey in my home community of Roy, Montana, reveals the same frightening prospect. A misguided economic policy is the culprit in all cases.

The low prices associated with the cheap food-free trade policy have not only torn the people from the land but turn the soil itself away as erosion is also a continuing legacy.

The illogical dilemmas confronting farmers and rural residents persist and perplex. While rural communities deteriorate on a daily basis, it is called progress. When it rains, a farmer doesn't know whether to laugh or cry because though it is good for his crop, the price goes down and it is called a world market. It is impossible to make a planting or marketing decision with the variables of the market in Brazil or India and political change in the U.S.S.R. or China. Isn't the local weather, insects, politics, and politicians enough?

Rural development and how to pay for it is a huge issue. All the funny little ideas about niche marketing and specialty crops thrive and line up for development funds from some level of government.

Even as statistics say that 11.8 percent of the consumer dollar is spent on food and only about 30 percent of that the farmers' share, people bemoan financial assistance to agriculture.

How low is low enough? How cheap is cheap enough?

If the allegations about Pete Rose are true, then his intelligence is really in question. He could have gambled freely and legally every business day by participating in the national gaming syndicates that focus all existing rumor, greed, and pertinent and impertinent variables while deciding the price of farm commodities known as the Chicago Board of Trade and Chicago Mercantile Exchange.

All this because someone is chasing a world market, free trade, and something called economic freedom.

What we want is economic independence gained from selling our production to the marketplace on par with the rest of the economy. That would allow rural development to be the fruit of earned income and not a pork barrel of borrowed dollars. That would allow people to have a future in rural America and some personal dignity too.

So how can this be accomplished? We recommend a bushel quota system of marketing that takes into account domestic, profitable foreign trade, and charity needs. It would meter into the market only as much as is required to meet those needs from harvest to harvest. We must regain control of our international trade borders by establishing prices for our production that reflect true cost and tying it to access to our domestic market. International trade should not be a function of every variable that ever existed but an equity exchange with zero balance.

Under the quota system, with par prices paid by processors and exporters, Government subsidies would fade, farmers would farm only the most suitable acres and find more proper alternatives for the rest. They would be free to determine their own acreages and crop mixes. Government storage could be eliminated as marketing quotas would only allow so much into the market. Excesses would be owned, stored, and the full responsibility of the producers. The reserve would be a self-insurance policy for that inevitable crop disaster in that the producer would always have a crop to market. The fact of the farmer having a crop in the bin ready to sell at a known price would reap an added harvest as the crop insurance fiasco could fade into obsolescence.

With certainty of supply and price will come pride, dignity, stability, and plenty for consumer and producer alike.

We have already won some for the "Gipper." It is time to win one for the family farmer.

Thank you.

[The prepared statement of Mr. Siroky appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you. Mrs. Forsness.

STATEMENT OF JO ANN FORSNESS, MONTANA PRESIDENT, WOMEN INVOLVED IN FARM ECONOMICS

Mrs. FORSNESS. Thank you, Mr. Chairman, members of the committee. Thank you for coming to Montana for this hearing. We would also like to take a few minutes to thank Representative Marlenee for the legislation which he has introduced which will give person status to married farm women.

There is one problem, though. We must have a price which allows for cost of production plus a fair return on investment. In our area, we recently lost three businesses and will lose another one. One of our dealers has had his franchise removed. We are fast becoming an area where the landscape is filled with empty farm homes.

I don't know very much about the Sugar Program. We were told that we would be addressing that here today. I went to my local supermarket, and I would like to share what I found. I found 5 pounds of sugar for $1.49. I found kitty litter, which gives 14 pounds for $4.40, or slightly more than sugar. I don't believe our sugar costs are out of line. Thank you.

[The prepared statement of Mrs. Forsness appears at the conclusion of the hearing.]

Mr. GLICKMAN. I think you made your statement very well. The rest of your statement will appear in the record.

Helen, it is a delight to see you here. I have seen you in Washington and other places, but I haven't been in your own country before, so I am glad to be here.

STATEMENT OF HELEN M. WALLER ON BEHALF OF THE NATIONAL FAMILY FARM COALITION AND THE NORTHERN PLAINS RESOURCE COUNCIL

Mrs. WALLER. Thank you, and welcome to the Big Sky Country, Congressman Glickman.

For the record, my name is Helen Waller, and I am testifying for the National Family Farm Coalition and its Montana member organization, the Northern Plains Resource Council. My husband, Gordy, and I farm and ranch about 200 miles northeast of Billings.

Thank you for providing this opportunity for Montanans to express our concerns and make suggestions for improving farm legislation.

Since the 1985 Food Security Act was passed, nearly 500 Montana farms and ranches have gone out of business. The primary objective of the new farm bill must be to reverse this trend and thereby bring economic stability to our rural communities.

The proper role of Government is to create a level playing field so that the grain traders who set market prices will not have an unfair advantage at the marketplace. This can only be done by establishing a price support which will reflect the true value of the commodities we raise.

That is the essence of the private enterprise system—a price at the marketplace which would allow farmers to cash-flow. If this provision is not a part of the 1990 farm bill, nothing else will fix the problem. It doesn't matter what you call it, whether it is decoupling, triple base, flexibility; if it does not establish a price support level that we can cash-flow on, it is finished, the family farm system in America will go down the tubes. And it will be replaced with corporate agribusiness owning the land, controlling the land. And when they control the land, they will control the people. I think that is the No. 1 issue before our Agriculture Committee and before Congress in enacting this farm bill. It is who is going to own the land and who will control. When you control the food supply, you control the people.

The present program which continually reduces that target price will not resolve the economic problems in rural America. That only prolongs the agony, and the farms and rural communities continue to die a slow death. And besides, it is unrealistic and unfair to expect taxpayers to subsidize a fire sale for the benefit of the grain trade.

Management of production should be accomplished by establishing a bushel marketing quota instead of set-aside acres. Targeting of benefits toward small and midsize farms could be effectively accomplished by increasing the percentage of marketing certificates.

The passage of emergency drought legislation for program crops could be eliminated by the establishment of a Farmer Disaster Reserve. If a loss occurred which was greater than a specified percentage, a farmer could draw from that reserve. Crop rotation and planting of legumes should be allowed without being penalized by loss of base acres. Congress should require a thorough evaluation of the implications of the Conservation Reserve Program before making a decision regarding further expansion of the program.

The CRP program is not being effectively enforced in some areas, causing weed problems for neighbors. Agricultural service businesses have been impacted. Opportunity for beginning farmers has been denied by terminating grain production on CRP lands.

There is interest among consumers and Members of Congress, as well as farmers, for converting to more sustainable farming methods. Our organizations have struggled to resolve questions of enforcement, marketing, and incentive to cover risk during the transition. And in conjunction with the 1985 mandated farm plans, it is important to resolve the question of whether a farmer who has chosen the option of using less chemicals must then adhere to increased chemical use as ordered in the farm plan. There is a direct conflict in these practices.

These are provisions which are necessary in order to improve the economic stability of our agricultural industry, and I urge you to seriously consider these comments.

Thank you very much.

[The prepared statement of Mrs. Waller appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you, Mrs. Waller. This is an excellent panel, and I appreciate all your testimony.

First question, particularly to Mr. McClure, but everybody. There is clear evidence coming out of the Department of Agriculture that the Secretary wants to lower target prices faster than I think are contemplated in the 1985 farm bill, and, of course, we have to reauthorize the program. Does the Farm Bureau support further reductions in target prices?

How about the Farmers Union, Mrs. Forsness and Mrs. Waller?

Mrs. WALLER. Absolutely not. They are too low the way it is.

Mr. GLICKMAN. OK now, tell me one thing about production costs. During the last 3 years, have the fixed costs of production, not land, but everything else, have they gone down, have they stabilized, or have they gone up? Fertilizer, feeds, seed, you know, all those things.

Mrs. WALLER. There was a period of time when our energy costs, our fuel oil costs were going down, but that savings was absorbed by the rest of our costs.

Mr. GLICKMAN. It would be a fair statement that there is a general increase in your base production costs occurring right now. Does anybody have an idea about percentages for me here in Montana? If we were to go back and you were to tell us what you estimate, your production costs, would be this year versus last year, what would they be, the percentage increase?

Five percent, Mr. Siroky says.

Mrs. WALLER. I would say that is fair.

Mr. GLICKMAN. I guess what I am saying is that the target price system, if we are going to maintain the target price system, I don't know if we are or not, but assuming we are, that system is supposedly to compensate in some general way for costs of production, and a reduction in the target price is not consistent with increased production expenses. And I know that the Secretary wants to move in that direction.

Again, I point out that the amount we spend in agriculture is infinitesimal compared to the amount we spend on national security and on the amount we spend on income security, through our pension programs. I think that we have to recognize we really get a real good bargain for the dollars that we spend; and I know there are some differences of opinion on how we spend it, but the numbers are very small. If we in fact reduce the target price system, we will reduce directly farm income for producers. There just is no question about that.

Now, let me move on to another area. The Farmer's Union and Helen both support or talked about a quota system and, in fact, one of the gentlemen from the FFA talked about two-tiered pricing. I think you did when you talked about grains grown for domestic production would be possibly supported at one level and the rest of the grain would be supported at another level. I thought that for too long we have done our program based on acres as opposed to basing it on units of production.

However, let me be the devil's advocate for a moment. I was just in the Soviet Union, and they have recognized that their economic system is a failure, and they attribute it almost entirely to centralized bureaucratic economic planning. That is, everywhere you go, all they tell you is that the Government decides supply and price and all those kinds of things. It removes the incentive out of the market system.

Now, I was one of those guys, frankly, a few years back who was kind of intrigued with mandatory supply management. We didn't put that in as part of the 1985 farm bill. I guess my concern is that in our efforts to raise prices, if we artificially do it through a system of Government mandates, we might be killing the goose that laid the golden egg? And might we, do it in such a way that it just becomes impossible to administer? I don't want to duplicate anything they do over there on their economic system. It has proven to be a failure and they acknowledge it right now.

And I am not saying we are duplicating that. I am saying that they keep talking about excessive bureaucratic centralized planning, and I don't want to see a farm program that is that way, and neither does Mr. Siroky or Helen or anybody else. I don't think you have been exposed to the practical effects of the aid program. You ought to sign up for Government programs and go through what you have to go through today. It is already there, and I think going through a market forces us to do that. Because we can reduce the other things, the Crop Insurance Program, storing, all of that sort of thing can't be eliminated.

All we are saying is that we know what we use in this country. We know what we can sell on a profitable basis to foreign countries, and we know what the charity needs are. And they vary a little bit from year to year, but mainly we know that. And we only allow that much into the market every year. We will balance supply and demand and have a resulting price that comes from those people that have to buy the product rather than a target price.

Mr. McClure. Of course, when you say we know, we decide and we determine, who is we? The U.S. Government?

Mr. Glickman. You are saying that there is no free lunch in this world. You will have to have somebody in some Government agency make those decisions, they are making decisions, and there are tradeoffs in these kinds of programs. We have to make sure we don't get something worse than what we already have.

Helen, did you have a comment?

Mrs. Waller. Yes, I think that the point that you are missing is the fact that the 1985 farm bill and predecessors have thrown us to the wolves. We have no power at the marketplace, and when the grain trade sets a price, even though they are not defined as a monopoly, the whole system of setting our prices is a monopolistic system, and why it is that Government is willing to acknowledge the power of huge corporations who deal on the other side of the marketplace with the masses of people as it relates to energy, you know, BTU energy of fuels. We have public service commissions who see to it that a handful of corporations do not take advantage of the masses of rate payers. I think it is a proper role of Government to assure that those with monopolistic powers are not allowed to run roughshod over the producers who have no power in the marketplace.

The only way to resolve that problem is through the Price Support Program. And I do not think that setting a target price, I don't think the discussion should center around where the target price is set, because you are asking taxpayers to directly subsidize a fire sale price so the grain traders can come into the marketplace and take grain at far below its true market value. We raise in Montana about 151 million bushels of wheat per year. And when we are robbed of $1 a bushel, there is $151 million that don't even come to the State that belong here to support our schools and to help with the infrastructure.

Mr. GLICKMAN. Yes, Mrs. Forsness.

Mrs. FORSNESS. Mr. Chairman, if you are concerned in some manner about incentives, the American farmer has a great incentive to produce, it is called the note at the bank.

Mr. GLICKMAN. I noticed in your statement that you had one, too. OK. Let me just make one final point. Mr. Marlenee.

Mr. MARLENEE. I am very concerned about too much control in Washington, especially when less than 3 percent of us in this Nation are farmers. I think we are better off making our own decisions, production decisions, than to produce for the market. I don't think that is the basic desire of some of the bureaucrats. They have other decisions that they are more involved in.

I do want to speak against the bushel assignment, but I think it is the basis of our country to provide incentives, and we don't want to get locked into a fossilized quota system such as that. I think most farmers who do use the new technology when we talk about computers and other vital technological things coming in the future, we don't know what is coming. We said we only see the tip of the iceberg as far as technology, so I think those farmers that do utilize new technology, good management decisions, are going to increase their production per acre and do more economical work.

Mr. GLICKMAN. I just want to make one final point. There is something I think that Helen said that strikes true, and we are going to pass legislation next week when we get back that substantially increases the regulation for the futures industry. For the first time it will be a crime, a Federal crime, to engage in insider trading on the floors of the futures exchanges like it has been on the security exchanges for years. For the first time we will significantly restrict something called dual trading which permits a floor trader or a floor broker on trading soybeans for wheat for cattle or anything else from trading from their own accounts and for a customer account at the same time.

And we do other things there in the bill as well. The goal is to recognize that the futures exchanges are here, and they are a fact of life, and people have to believe that they operate honestly. Recent scandals on the exchanges have further frittered away public confidence in how the exchanges work. I happen to believe those exchanges serve a valuable role in the price setting mechanism, but they have to be honest. We are going to pass legislation which has already come out of the Agriculture Committee to stiffen the penalties and hopefully reflect some public confidence that those markets can serve a basic public function. I hope that will help.

Mr. SIROKY. I think the point here, Mr. McClure talked about freedom. Freedom is really where it is all at, economic freedom, or whatever, except that with freedom comes responsibility, and unfortunately when in a handful of people who have economic power, it is buried under greed and self-interest, and we get buried right along with it.

Economic freedom is not what we are after. Economic independence is what we are after. If we are economically independent like that banker that Jo Ann was talking about, then we are free. To just say you have economic freedom allows you to take advantage of somebody else.

Mr. GLICKMAN. Thank you very much. Mr. Marlenee.

Mr. MARLENEE. Mr. Chairman, when you get a panel like this together, it adds excitement and interest into any kind of a hearing. I don't know of any—and we certainly have to take our hats off to the ladies that assist us or run the affairs of our lives or whatever. Jo Ann, I have known her for a long time, one of the most mischievous people that I know. Who else could tie kitty litter and sugar together? But she is clever. That lady is clever.

I want you to know that in the legislation that I wrote regarding the definition of a first and the protection of income or payment limitations, applying payment limitations not to a wife, I put the word "spouse," and that was to protect my interest and Dewey's interest, your husband's interest, in this partnership that we have with you. It is good legislation, and I think it will eventually pass.

Let's get down to a couple of basic questions here on technological parts of agriculture. One is the Federal crop insurance. There has been an inflammation of these things to mandate Federal crop insurance and do away with the Disaster Program. I think that is a false concept, but I am going to ask you as a panel one by one if you think that the Federal Crop Insurance Program is working properly as it is, and a simple yes or no will be fine. Dave.

Mr. McCLURE. No.

Mr. SIROKY. No.

Mrs. FORSNESS. No.

Mrs. WALLER. I don't have a background; this year it was mandated that we take Federal crop insurance. This is the first year we have had the Federal crop insurance in the 37 years we have farmed, so I don't have the background. I am not a good judge.

Mr. MARLENEE. So generally the panel agrees that Federal crop insurance is not working. Would it follow then that it would be a mistake for the U.S. Congress to mandate that producers participate in this program? Dave.

Mr. McCLURE. From seeing the preliminary results, there was a study done on the Federal Crop Insurance Program, and I think they have some good recommendations and a rather lengthy report, and this is just the preliminary results, and I think if that program can't be improved to the point that it would answer the needs of producers of both program and nonprogram crops, it should preclude to me if it were a disaster program, but it should remain voluntary and part of your management decisions whether or not to have it.

Mr. MARLENEE. Mr. Siroky.

Mr. SIROKY. Yesterday in a meeting we had a lot of discussion about flexibility, and I guess the insurance program is another portion of flexibility. It is one of those ways where if you study long enough, you can get a little bit more out of the program. The inference is farm and Government, and I think that is true. I am going to stand by what I said in my statement: If we properly conduct farm policy, we can eliminate the whole thing.

Mr. **Marlenee.** Jo Ann.

Mrs. **Forsness.** I think Ken is right in one way. We could provide our own insurance if we had a price for the product and we wouldn't have to sell every bushel. There has been major improvements in the system, but it has a way to go. Our organization is not excited about mandatory anything.

Mr. **Marlenee.** Helen, I know in your statement that you said the passage of emergency drought legislation for the program crops could be eliminated by the establishment of a farmer disaster reserve. I have contemplated that concept before, and I congratulate you on bringing that out. I think it is a good concept that we could provide some kind of a self-insurance program, and also if we are sure that we have a reliable supply of grains for our customers worldwide, to say nothing of domestically. With some kind of a farmer disaster reserve that we could put together—I heard that mentioned in the State of Oregon and that was the concept of the 1930's. So I applaud you on that statement.

A couple more questions, then I am finished. Would you favor individually doing away or limiting severely the CRP and not expanding it? Helen.

Mrs. **Waller.** Well, I think when the idea was conceived, it served its purpose, and it certainly is taking out of production some very fragile land. I cannot recommend doing away with it, but I think you need to stop at this point in time and evaluate really what we have and the negative and positive implications of it and move on after we know more than we really do right now.

Mr. **Marlenee.** Jo Ann.

Mrs. **Forsness.** In the area of farmers that I work with a lot, I feel it has been a very beneficial program and served to keep some people on the land at least on part of their farm that would not otherwise have been able to be there, and I wouldn't like to see it done away with at this time.

Mr. **Marlenee.** Well, how about limiting it at this time? Not expansion.

Mrs. **Forsness.** Not expansion.

Mr. **Siroky.** Yes. I agree with that. The thing we are really looking at, though, is where it came from in the first place. It is the result of fouled-up farm policy in the first place. We don't know what we need, and this started to help bring us back. We found out what we needed for a time, and that is how we have gotten to where we are. And let's not repeat the mistake, let's not stand here, I mean, it is damage control. That is what it is.

Mr. **Marlenee.** Dave.

Mr. **McClure.** Ken, I agree with you. I think it is the result of Government programs. It encouraged production, and we got into some areas that shouldn't have been farmed. So this conservation program is not correcting the mistakes of the farmers but some of the administration and farm programs as I see it. I believe that 45 million acres is enough, that opportunity is there that hasn't been filled yet.

I would hope that as a result of having that reserve out there the other farmers who stay in production would get nearer to the full utilization of their acreage so that the agribusinesses will benefit more from full production. We are going to have to set aside some places, and this might be a better plan than for everybody to set-aside 30 to 40 percent or so acres.

Mr. MARLENEE. I have taken much too much time. I yield to my colleague from Oregon.

Mr. SMITH. Thank you for yielding.

We had a colleague during the construction of the 1985 farm bill from Iowa who always used to yell at us every day. He would say farmers only get their money from resources, the Government, or the market. He was a great advocate of mandatory controls and felt that Government has a stake in the signals that are sent, he said that was the problem that caused the problems, and the Federal Government should solve all the farmer's problems. This was partially successful.

But something happened in 1985, because as I recall, we were talking about $2 wheat. In 1989, we have $4 wheat. In 1985, we had lost 24 percent of our world markets. We were down to about 23 percent of our share of the world markets. Today we are up over 43 percent of world markets. Something happened positively. We have gained 32 percent in the expansion of world trade in wheat alone. Something good happened. Then we got wheat at the point where we can at least make some money. So to be totally critical of what occurred with the 1985 farm bill is unrealistic, not true. It can't be substantiated.

Now I come from a part of the country where my farmers will continually tell me, and I hear them, what market would you rather have, the Government or a fair traded market where, of course, your commodity falls in the domestic area and demanding a subsidy? They all say, "I want a market without Government interference." And yet we are in demand as Members of Congress to say we need more controls and less controls, at the same time saying no, we don't want any Government intervention in our business.

Well, as you see, it is very difficult to answer, a very difficult problem to answer. And I don't believe, as the chairman did, that this administration is giving an indication that they want to reduce the target world prices. But target world prices are not so fun any more, are they? Because the price of the commodities are higher than the target world prices, so they have become less important. And one of the reasons they have become less important is, I believe, we sent realistic signals, that is, Government people, to the marketplace and that we can't sustain high commodity prices as they did in the pre-1985 marketplace.

So something has happened positively, and it seems to me that agriculture can't follow a false prophet. The false prophet has been the Government in the past. If agriculture is to survive, and it is coming back, it has to follow a market concept, and it has to be free and have freedom from Government direction. Government control squelches incentive and squelches potential and it squelches opportunity.

So it seems to me you can't have it both ways. Either we have a freer agriculture with the Government trying to open markets and is aggressive in foreign affairs and allows the farmer the broadest latitude to produce as efficiently as he can following state-of-the-art practices domestically. That seems to be the right environment, so somehow, in my opinion, we have to ponder a farm bill that hopefully provides that. Now I have made that statement, and I would like for this panel to respond as it seems they might not agree with that. Yes.

Mr. SIROKY. Well, first you talked about the wheat price. That is a result of the increased market share. How did we get that market, how did we get back to 43 percent? We gave it away by unloading wherever we could, subsidizing to foreign countries, Communist countries, in order to get down to try to bring up the price.

But what we see currently, they are decreasing the crop reduction acreage, we are talking about 5 percent versus 20 percent a couple of years ago. So we got the price up and right away we are trying to get it down again because our supply all of a sudden isn't big enough. And we go back and forth. Agricultural people do not survive in business with that kind of instability.

Mr. SMITH. It should do away with EEP.

Mr. SIROKY. Yes. That is the stupidest thing I ever heard of, it is a give-away. What we ought to do is to go to the Japanese and say, we have some wheat to sell, we have determined that we have this much to sell, and this is the price. It is a reflection of our conservation costs, our production costs, and that is what it is.

Now, you can come over here and buy it for that price, and we will take that and it will help us over here to buy your cars or whatever else you have to sell. If you don't want to buy it at that price, then you can go sell your cars in Ethiopia. And they are going to buy our wheat at our price. We will not have to subsidize and peddle our grain all over the world like paupers.

Mr. SMITH. Would you sell wheat to the Soviet Union and to China?

Mr. SIROKY. Absolutely. But I want to get what it is worth.

Mr. SMITH. Well, of course, with the target price as low as it has been, wheat has been increased in value obviously, and beyond that, the consumers of America are benefiting less than the Federal Government, which has had an exposure 2 years ago of $26 billion in agricultural support, and it is down to $6 billion. That is, to me, where everybody is going to benefit from this program, the consumers have a cheap food policy, and the farmers have better prices, and the taxpayer has less cost. So that is a successful program.

Mrs. WALLER. Well, ordinarily, I would agree with Ken, but I would disagree with him in one respect. He said that we gave it away on the world market. We didn't give it away; we paid them to take it. And we paid twice, the taxpayer did. First they paid a deficiency payment so that we could reduce the price one time, and then you set up an Export Enhancement Program that again racks the taxpayer to the tune of about another $2 billion. We have paid, we have paid them to take it. When you talk about increasing to 40 percent, we are gaining our share of the world market.

Well, let's not talk about volume, let's talk about value. What have we taken in? I contend that if the study was done to substantiate what it has actually cost us, and I mean cost the taxpayer, cost farmers, in order to recapture that 40 percent, we probably went in the hole on it. I would rather produce what we can sell, I would rather manage production like every other business is allowed to do, and, we are being told "Be business people"—we would like to be, and we would like a Farm Program that would allow us to be.

Mr. SMITH. Well, I just want to get back to the Export Enhancement Program. The point simply is that we are in a world that subsidizes its agriculture and subsidizes its exports, and it is very difficult for us in that environment if we are going to be a participant on the world markets. Not to have some kind of a tool for servicing until we regain our markets, we are not breaking world lines, we are feeding world lines.

The European Community last year spent $29 billion to support its agriculture, and there you have total management control, there you have restrictions totally upon production. There if you have two cows and you milk a mule, you never get more than two cows, I guarantee you I don't care how many times you milk it, but two is enough for you.

I don't want agriculture like that. There in the European Community, they spent $11 billion last year on exporting subsidies to their production because their production is totally out of line with world markets. They can't beat world prices at all, so they subsidize on both ends, but they do it magnificently.

Last year we spent about $500 million on a little export enhancement. You heard me talk about Turkey. There is no reason right now for our Export Enhancement Program with Turkey or any other country simply because they prefer credit. The price is very close so that we don't need export enhancement.

But we did achieve a future part of the share of the market which is going to be beneficial to us in the future because of a tiny little tool called export enhancement. We have credit programs, as you know, GSM-102, -103, we have the Public Law 480, we are trying to feed the world. We are trying to feed the hungry part of the world.

So I have to tell you that while you can be critical of what we did in 1985, we did it for you.

Mrs. FORSNESS. I am curious. I have heard that we import some, not a large amount, but some amount of wheat from Canada. I was told that by a train crew that brings it from Canada who were unloading it for storage, and I wonder if we are essentially buying that wheat, importing it and paying someone else to buy it?

Mr. SMITH. No. Thank you.

Mr. GLICKMAN. I think we need to call another panel now, so we will call the next panel. I appreciate your coming and testifying.

Mr. Larry Johnson, president of the Montana Grain Growers Association from Kremlin, Montana; Jerry Thuesen, Montana Durum Growers Director; Mr. Chuck Crowell, president of the Northern Plains Safflower Growers Association, Sidney, Montana.

The next panel after that will be Bill Brown, Duane Braaten, Bob Gilbert and Rob Buhmann.

STATEMENT OF LARRY M. JOHNSON, PRESIDENT, MONTANA GRAIN GROWERS ASSOCIATION

Mr. JOHNSON. Thank you, Mr. Chairman.

For the record, Mr. Chairman and members of the committee, my name is Larry Johnson, and I am president of the Montana Grain Growers Association and producer from Kremlin, Montana.

On behalf of our board of directors and members, I thank you for bringing the hearing to Montana and for giving us an opportunity to present our views to this committee.

Montana Grain Growers Association continues to support the basic concepts of the 1985 Food Security Act and believes the 1990 farm bill should carry forward with these concepts. Voluntary acreage reduction keeps supply and demand balanced, and aggressive export programs and income support through a target price system and adjustable rates significantly below the world market prices should all be incorporated in the 1990 farm legislation.

The 1990 farm bill should be used to review and examine target prices. The target prices should be well balanced and result in relative value of the cost of production of the various commodities so that one commodity is not favored over another. If one commodity is supported to a larger degree than another, farmers are encouraged to produce for the Farm Program rather than the market.

Studies on this subject do suggest that target prices of some commodities, such as barley and oats, are, in fact, low in relation to the other commodities. It should be a priority of this farm bill to correct those inequities and ensure that target prices which are the cornerstone of current agricultural policy are accurate and reflect a reasonable balance between commodities.

The Montana Grain Growers Association believes that target prices on most commodities have been reduced as far as possible and should not be reduced farther in the 1990 act. Further reduction will only lower producer income support and participation in the commodity programs. While target price reductions are an easy source of USDA budget savings, they should not be, and that should be resisted. Rather we should look to judicious management and set-aside programs and make aggressive use of export enhancement programs to reduce budget exposure. If supply of grains in the United States are kept at a reasonable level, prices can be maintained at a level where deficiency payments are limited to a minimum.

EEP cannot be overemphasized. As long as the United States is fighting the subsidy way, we must continue an aggressive export sales and market development program. EEP has proven to be a very effective tool in expanding sales and bringing our competitors to the bargaining table.

We in Montana are concerned that Durum, Spring wheat and barley are not receiving as many awards as they should. We believe the sales have been lost and these commodities damaged due to the reluctance on the part of the USDA to grant what belongs to us.

We in Montana depend heavily on exports and a strong and aggressive export position for all classes of wheat and barley, and that must be maintained if this program is going to be able to succeed.

One of the major changes needed in agricultural policy is flexibility. Current programs have made base acres an extremely valuable asset and producers do not necessarily raise the commodities they are raising because it makes economic sense, but because we have to in order to maintain base acreage. We need to be able to shift acreage to other crops that are in short supply. But, more importantly, we need to be able to shift to nonprogram crops that are in short supply or in the process of expanding markets. We need greater freedom to respond to market signals.

One of the new problems the Montana Grain Growers Association would like the committee to examine is that of the long-term set-aside. There are many cases where it would be helpful for a producer to set aside the same field or acreage for several years. Certainly, this is not possible, in order to be eligible for the conservor use, the crop must be planted through a program crop 2 out of the last 5 years.

Montana has a growing saline seed problem. If producers can set-aside land that is causing the saline seed problem for 5 years and have that quality for CU, he may be able to take steps to take care of the problem. Saline seeds are a major cause of water problems in Montana, and this concept could go a long way in curbing it. It would also be helpful in cases where noxious weeds or land management problems exist.

We would suggest a maximum of 5 years and a 5 percent for long-term set-aside. We are not looking for an expanded CRP program, but rather a set-aside that will allow us to manage some of our cultural and environmental problems. We would be happy to work with you maybe in examining this concept.

Montana Grain Growers Association urges this committee to take a good look at the Federal Crop Insurance Program. We need to improve this system so that it covers all crops in a way that it is not necessary to create disaster legislation every year. Although disaster legislation these past 2 years has been extremely helpful, we need to know before we plant the degree to which we can protect our investments. We cannot rely on Congress and its access to Federal funds to manage our risk. An insurance program that adequately covers risk is much more manageable than sporadic legislative efforts.

Paperwork required by the ASCS and CCC is excessive and cumbersome, and we encourage you to take a serious look at Congressman Marlenee's Agriculture Program Reporting and Recordkeeping Improvement Act of 1989, H.R. 802. Surely if a concerted effort is made to study the various forms we are required to fill out on the Commodity Conservation Program, some reductions and simplifications could be made.

Certainly one of the main concerns of the 1990 farm bill will be environmental issues as they relate to production in agriculture. Our organization is sensitive to these problems that agriculture has created for our environment, and we believe that we must take an active role in order to solve them. However, these problems must be addressed separately and reasonably without major legislative reactions.

Thank you, Mr. Chairman. We have more comments here, but in the interest of time, I think you can read through those, and I will respond to your questions.

[The prepared statement of Mr. Johnson appears at the conclusion of the hearing.]

Mr. GLICKMAN. Mr. Thuesen.

STATEMENT OF JERRY V. THUESEN, MONTANA DISTRICT, U.S. DURUM GROWERS ASSOCIATION

Mr. THUESEN. Thank you.

My name is Jerry Thuesen. I am a grain farmer, and more specifically, a Durum producer. Today I represent the Montana district of the U.S. Durum Growers Association.

Montana is projected to produce this year approximately 6.7 million bushels, and about three-fourths of that will come from northeast Montana in Daniels and Roosevelt Counties.

Two points that I would like to make today. The Export Enhancement Program, or the lack of it for Durum and Spring wheat. And the other problem is the Canadian subsidies which are crowding the United States out of traditional markets and subsidized Canadian imports to the United States.

The Export Enhancement Program has been an effective market expansion tool for making U.S. wheat more competitive on the world market. According to USDA analysts, the EEP, in combination with lower loan rates in the 1985 farm bill, accounted for 50 percent of the almost doubled wheat exports from 915 million bushels in 1985-86 to 1,592 million bushels in 1987-88. The EEP is a proven tool.

The problem is last year, due to drought and declining wheat stocks, the United States seems to have lost its determination to even hang on to existing Spring wheat and Durum markets, let alone expand them. As a result, total U.S. Durum exports declined to the lowest level in 25 years and the U.S. Durum exports to Algeria fell from a 5-year average of 28 million bushels to 7 million bushels, and Tunisia, our other strongest market, fell from a 5-year average of 9 million bushels to zero under the same program.

Durum exports dropped from 62 million bushels in 1987-88 to 20 million bushels for 1988-89. During the same period, production dropped from 93 million to 45 million bushels. We took a 51 percent drop in production, but we dropped our exports by 67 percent. At the same time, the Canadians helped us out by sending us about 13 million bushels of Durum, resulting in a 60 million bushel carryover into the 1989-90 marketing year. That leaves us with a stocks-to-use ratio of 74 percent, higher than any other class of wheat.

Production for 1989-90 is projected at 91 million bushels and the Canadians are only going to send us 9 million bushels this year, so we will have a total supply of 160 million bushels. Of this, the USDA says we will export 65 million bushels. That's a lofty goal, considering we turned over our two major markets to the European Community last year. Hopefully, that goal can be attained, but it will take aggressive use of the export program.

Durum is presently selling for about $3.20 in northeast Montana, about a 50-cent discount to Hard Red Spring wheat. In the last 18 years, the average farm price of Durum was only below Spring wheat five times and 20 cents was the widest spread during that period.

If projected usage figures for Durum come to pass, we will carry into the next marketing year only 41 million bushels, a decline of

32 percent carryover. The stocks-to-use ratio would decline to 34 percent. That would be the lowest ratio since 1974 when the ratio was 30 percent and average farm prices for Durum were $5.97. If the historical supply and demand figures were to repeat themselves, Durum producers should be enjoying much higher prices.

The reason they are not brings me to my second point, which is Canadian freight subsidies and exports to the United States. Canadian growers will produce approximately 160 million bushels of Durum this year. That figure will be adequate to take care of Canada's domestic and export needs, and they will still have plenty left over to supply any shortages there may be in the United States.

Canadian producers enjoy a freight rate subsidy which allows them to ship a bushel of grain from Weyburn, Saskatchewan, straight north of Plentywood, to Vancouver at a cost of 25 cents a bushel. The result is that the Canadian Wheat Board can move grain into the west coast terminals at considerably less cost than the U.S. producers and market it at prices lower than U.S. prices and still have money left over to give a final payment to producers.

For this reason, U.S. millers and pasta makers are unconcerned about any potential short supply of Durum in the United States.

As I said earlier, Canadian imports of Durum to the United States were 13 million bushels last year, almost twice what Montana will produce this year. That figure amounts to over 20 percent of the domestic consumption of 61 million bushels. For that reason alone, U.S. Durum and Spring wheat producers are extremely concerned with current discussions about accelerating the tariff removal schedule set out in the Free Trade Agreement.

That same freight rate subsidy allows the Canadian Wheat Board to move grain into traditional U.S. export markets by undercutting U.S. prices. An example of this occurred in June of this year. The Canadian Wheat Board booked nearly half of the Philippines' annual Spring wheat needs for 1989–90 at prices considerably less than prevailing U.S. offerings. The Philippines have traditionally been importers of almost exclusively U.S. wheats.

My point, by contrast, the Canadian Wheat Board exports to the Philippines have been nonexistent to slight over the past 10 years and only reached 3 million bushels once in the past 10 years. My point is that we could have saved that market, a 25 million bushel market. We lost half of it. My point is we could have saved that by aggressive use of export enhancement.

Not using export enhancement has caused us a tremendous loss of Durum and Spring wheat markets. In order to recover them we are going to have to use a strong and aggressive Export Enhancement Program.

We are in the process of developing a new Food Security Act for 1990. It is extremely important that an effective and aggressive Export Enhancement Program continue to be a part of that bill. Without it, U.S. wheat producers and more specifically Spring wheat and Durum producers will continue to face the dismal prospect of being the world's residual supplier.

[The prepared statement of Mr. Thuesen appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much. Mr. Crowell.

STATEMENT OF CHARLES W. CROWELL, EXECUTIVE SECRETARY, NORTHERN PLAINS SAFFLOWER GROWERS ASSOCIATION

Mr. CROWELL. Thank you, Mr. Chairman. I am Charles Crowell, executive secretary of the Northern Plains Safflower Growers Association from Sidney, Montana.

I enrolled my daughter in the University of Kansas at Lawrence last week, and my son is a senior at the University of Texas and is a page in the Texas senate.

Mr. GLICKMAN. You went through a lot just to get us to like you. You send your children to our State schools, and I can guarantee you your testimony will be well-read.

Mr. CROWELL. I was hoping that might be a factor. I would like to take this opportunity to express to this group the thanks of the association and to Congressman Marlenee in applying for a Federal research grant for safflower research. Congressman Marlenee has been very instrumental in getting this through the House and out past the Senate subcommittee, so we think we have a good chance of getting that.

Safflower is grown for the premium oil extracted from the seed. The highly unsaturated oil can lower blood cholesterol levels when included in the human diet. After the oil is extracted from the seed, the remaining meal is utilized as a livestock protein supplement.

California, Montana, and North Dakota are the major safflower producing States. Lesser amounts are grown in South Dakota, Nebraska, Kansas, Colorado, Idaho, Utah, Washington, and Arizona. Although safflower is a relatively minor crop, it is an important source of income to hundreds of farmers in these States. It is one of the few alternatives to small grains for farmers in the Northern Plains. Safflower production has ranged from 150,000 to 350,000 acres in the United States over the past 10 years.

Safflower is and always has been a free crop and we wish it to remain so. It is not subject to acreage controls, price supports, or eligible for CCC loans. The acreage of safflower seeded in the Northern Plains each year is determined by markets, weather and, indirectly, by the Farm Program.

The amount of safflower grown is directly influenced by the acreage farmers are permitted to plant the wheat and feed grains under the terms of the Farm Program and policies in effect that particular year. Producers generally have grown the maximum acreage of wheat and feed grains to maintain their base acreage, to take advantage of deficiency payments and to have the opportunity to secure CCC loans.

It is difficult for buyers of free crops such as safflower to compete with subsidized crops such as wheat and barley. Prices offered for safflower are limited by the availability of seed and oil from other countries, especially Mexico, Argentina, and Australia.

We believe that permitting farmers to grow safflower and other alternate crops on up to 20 percent of their wheat and feed grain base without losing cropping history is a significant first step to encourage production of these minor crops. However, a more equitable policy would provide wheat or feed grain deficiency payments based on county averages or proven yields on this acreage seeded to nonprogram crops, again with the 20 percent limitation. This policy would then permit the farmer to choose which crop he would like to grow based on market prices because deficiency payments would be eliminated as a variable.

For example, with current prices, a farmer might choose to seed all of his wheat base because markets are relatively strong, but would decide to seed 20 percent of his feed grains base to safflower or another alternate crop because feed grain prices are relatively weak. He would receive any deficiency payment on his entire feed grains base, providing an income safety net. This policy would tend to push growers toward those crops in short supply and away from those in surplus. It should result in the reduction of total deficiency payments because a shift in production away from surplus crops would strengthen these markets. U.S. buyers would be able to compete more equitably with foreign producers, both for our domestic market and in the export business.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Crowell appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much.

Mr. Smith, why don't you go ahead first.

Mr. SMITH. All right. Thank you, Mr. Chairman.

I am very interested in your statement, and a thoughtful one it is. I am trying to digest it.

As I hear you stating, Canada is subsidizing their wheat through transportation which is called crow nest rate. Is that what we are talking about? And as I recall, correct me if I am wrong, the crow nest rate was scheduled to be eliminated over a period of years. Is that your understanding?

Mr. THUESEN. I think that is probably true. The subsidized rate to the west is being phased out, but it is awfully slow.

Mr. SMITH. As I recall, it is 5 or 6 years. It may be more than that. I do not know.

Mr. THUESEN. The total rate from Thunder Bay to Vancouver is $39, $39 per ton. The producer's share of that rate is about $6.80.

Mr. SMITH. So your wheat generally goes for export?

Mr. THUESEN. Our wheat? Yes.

Mr. SMITH. So at least part of the problem is scheduled—that subsidy is scheduled to be reduced, that is the transportation subsidy of the Canadians.

The other thing I want to discuss with you for a minute is the volume of wheat that is coming from Canada to the United States in direct competition with Durum, and I believe you said something like 20 percent of our domestic market is for Durum.

Mr. THUESEN. That figure amounts to 20 percent of the domestic market.

Mr. SMITH. Is there any cause for action that you see under section 22, which I am sure you are familiar with, which gives any commodity people a right to an action if there is an unfair dumping, let's say of Durum, into this country which impacts our markets and our ability to produce? Have you looked at an alternative like that as an industry?

Mr. THUESEN. Yes. We have very seriously considered it. One of the problems since I knew I was going to be before this committee on this panel, I tried to get some specific figures as to what the imports have been in, say, the last 60 days. For me, it was impossible. I couldn't get a handle on it. So we know it is happening, and I know the west coast is receiving Canadian Durum. I don't know how to get a hold of the figures for the Durum imports for this current market year.

Mr. SMITH. Well, I just wanted to compliment all of you. I am very sensitive to your concerns about the Canadian Free-Trade Agreement, and I ask you if you come out to numbers that you believe that are present, that you use the rights that you have under section 22, and beyond that, I would like to know personally what you find when you determine the amount of Durum coming in from Canada and whether or not it is disruptive to local prices. So if you would get to that personally, and if there is any way I can help you, please let me know.

What I believe was the idea of the Free-Trade Agreement—we knew that there were going to be glitches in this thing. But in order to solve some of the problems, we made sure we had an appeal process under section 22 which can be used, and if the Canadians are going to dump wheat on us, I want to know about it because that was not the intention. It was surely the intention of that section to give the opportunity to appeal it if that occurred. So I want to follow that, and I appreciate your statements.

Mr. GLICKMAN. Thank you, Mr. Smith.

Mr. Johnson, you would help support efforts by the Department of Agriculture to increase wheat production over what the current program is; that is, you mentioned in your statement that Secretary Yeutter is talking about doing some things. I gather from your statement you would not support efforts to, for example, permit wheat to be planted on other program acres and other kinds of things like this?

Mr. JOHNSON. That is correct. We are looking at somewhere in the neighborhood of a 500,000 bushel carryover, and we think that is adequate to take care of our needs.

When we look at the long-term goal, and we started in 1985 with the Food Security Act, we were big supporters of that proposal. When we came in in the fall of 1984 with 2 billion bushels of excess wheat in this country, we got it down to 500 million bushels. And the target prices that are racheted down over that period of time were racheted every year to get people from other countries or trade partners to come and say: "You'll come to the table this year and you'll go 10 cents lower next year," or "You'll come to the table next year," and that has done that. It has very successfully done that, and with the use of that, we have gotten those markets back.

Now we are to the place where we have those carryover figures which are good, and if we can keep a good strong Export Enhancement Program, we have to use very little of those moneys to keep our share of these markets.

Mr. GLICKMAN. Well, I am concerned again that Secretary Yeutter is just playing exclusively the export game at the expense of lower domestic prices. I would look with great suspicion upon efforts between now and when we write the new farm bill to significantly increase the wheat production.

The other point you talked about is the target prices should have a good balance with each other. That is the corn target and the wheat target and the feed grains target, and the cotton target should all somehow relate. Do you have any suggestions about which should be increased and which should be decreased?

Mr. JOHNSON. I think probably all of the Congressmen have been made available to them. That early report was done sometime—it was done by the Washington Wheat Commission basically. It was done right after the barley one which is extremely out of line, which is a concern of our producers here in the State.

The corn folks, I don't think that would be a very popular thing to discuss back in Iowa, but the fact remains that corn support prices are too high, and we have given away about one-third of the world market share of soybeans just because there is better money in it for the corn farmer to grow corn than it is to produce soybeans. We pushed them into corn and we just give it to them.

Mr. GLICKMAN. Well, obviously, that is going to be a matter of great controversy because corn is the tail that wags the farm policy dog in this country. It always has. It is 80 percent of the cost of the program. And I have the privilege of kind of trying to monitor both wheat and corn and soybeans and the other feed grains, trying to make sure that there is some equity and balance there. I know that the problems we faced with oats has a large part to do with dislocation of barley and corn targets as well, and for that we have required imports of oats in great numbers. At the same time, I know how important corn production is in vast sections of this country—in terms of the significance to America is dramatic.

Mr. SMITH. Chairman yield?

Mr. GLICKMAN. Yes. I will be glad to yield.

Mr. SMITH. I thank the chairman for yielding.

We were in Oregon because, like you, we don't have the flexibility. We can grow wheat and barley. We can't grow corn. So we are the dog that the tail is wagging. It might be, it just might be possible that corn is so out of line that everybody will continue to plant corn and not plant wheat and barley.

Mr. GLICKMAN. We get the drift.

Well anyway, I appreciate very much your testimony, all of you, and Mr. Crowell, I want you to know that as you stated in your testimony, we have taken the first step to try to get some responsible sensible flexibility to oil seeds production in this country, and I think you have made a good suggestion there on efficiency payments, doing it slightly different than what we did in the last year's disaster bill. I think we will examine it very carefully when we write the new farm bill.

Mr. Marlenee.

Mr. MARLENEE. Congressman Smith and myself share a very similar problem with regard to the commodities and EEP programs and so forth, and I am going to yield to him.

I apologize for not being here, and did you pursue the question about imports and EEP?

Mr. SMITH. Yes, I did. I got a very good discussion.

Mr. MARLENEE. Let me ask you distinguished members of the panel, you have a high degree of credibility, about the Federal Crop Insurance Program. Is it working as it should? When we get away with the disaster programs, and that is one of the reasons seniority helps and having an institutional memory helps, is that we made a commitment to the producers of America that we would have a Federal Crop Insurance Program that was affordable and that was workable and that was available. Now, please address that.

Mr. **Johnson**. I will start off, Congressman.

No, it is not working. We went through the hearing process that was carried on. There were a number of recommendations that have been made and carried forward now, but just the prime example went on here just in the last 10 days in this State.

One of the prime malt barley growing areas in the country, those producers have Federal crop insurance to the best of their ability, and yet their crop is 100 percent wiped out and they are going to take huge financial losses. You can't even get anywhere close to the value of that crop.

Mr. **Glickman**. You need to reflect the prices and costs that are out there, and the program needs to support it and use it. Jerry, you are in eastern Montana.

Mr. **Thuesen**. I know about the Crop Insurance Program in eastern Montana. We have used it every year for the last 3 years and we will use it again this year.

And as Larry said, that portion of it is inadequate. The price does not reflect the market price. Therefore, we go through loss levels and take a huge financial bath.

Mr. **Marlenee**. We have used the Crop Insurance Program to a higher extent here in Montana than in other States. And yet I opposed mandatory Federal crop participation because I see that it is inequitable, and imposing that kind of a program that doesn't work on producers is doing them a disservice. Did you agree with that or do you care to expand on that?

Mr. **Crowell**. I would like to make just one comment with regard to safflower. We got safflower included in the Federal profit-sharing program a couple of years ago and we worked very closely with the Federal crop people on it. But I think basically they ignored everything that we told them and they came out with rates that are way too high based on the return that was made on the crop, and so hardly any safflower acreage is covered by that.

Mr. **Marlenee**. It would seem to me, Mr. Chairman, that if we took the money we are spending on disaster programs and used it in that Federal Crop Insurance Program, that we would start to get the participation necessary to address the kind of coverages that are needed.

If you have a loss in an area for 4 consecutive years like we have in some areas, in my area for 6 years we suffered a drought, your Federal crop insurance coverage diminishes to the point where you say, well, it's far too costly to participate in the program, yet because of the inherent danger of another drought in the cycle is why you have to participate, and so our people, as a result, have not participated to a high degree in a program that really does us not that much good out there on the field.

There are a number of things that impact the producers that are out at the purvey of business. They might come out with some income averaging, changes in tax laws like income averaging, capital gains investment credit. Congress is making a big to-do about growth and development, and passing some kind of legislation on that, it seems it would be better if we would direct our attention toward interest rates, the misdirection on environmental regulation that we are heaping on the schools and the hospitals in these rural communities and forcing them to close and on tax laws.

It would seem to me we would have a rural revitalization if we would address those issues, issues that we were responsible for putting into place than these misdirected policies.

Mr. JOHNSON. Congressman, on investment credit, especially in the farms that are farmed in there. The investment problem is in taxing the capital gains property in our States.

You have many guys that have farmed for 30 or 40 years. Their land is their sole retirement source, I mean, other than Social Security. Most of those farmers are going to have to use their savings accounts, and you will get them to the point in time when you get into the last 3 or 4 years of when they may want to sell their farm to a younger fellow or whatever, and you take that change plus the change of some of the problems that chapter 12 has caused out in there, and it has created havoc for those folks to begin passing this land on down to some of these younger guys.

They took their whole retirement program and turned it upside down just because of the change in the tax laws and it is tough on them, and we hear a lot of comments.

Mr. MARLENEE. One of the craziest things that we have here is when we try to restructure, and we do have a certain forgiveness of debt, and then the Internal Revenue Service comes along and says that this is income and you have to pay income tax on it. I mean, it is very devastating.

Have you addressed—has this panel addressed, Mr. Chairman, the triple-base or the flexible base?

Mr. GLICKMAN. I think Mr. Johnson's testimony addresses that. He is against the triple base.

Mr. SMITH. I have no further questions.

Mr. GLICKMAN. Thank you very much. I appreciate this panel for testifying.

Our last panel is Mr. Bill Brown, president, Montana Stockgrowers Association; Mr. Duane Braaten, president of Montana Pork Council; Mr. Robert Gilbert, president, Montana Woolgrowers; and Mr. Rob Buhmann, president, Montana Beekeepers, accompanied by Mr. Ron Barnett with Montana Beekeepers.

Mr. Wilson will be sitting in for Bill Brown; is that correct?

Mr. WILSON. That is correct.

Mr. GLICKMAN. OK, let's start with Jim Wilson.

STATEMENT OF JIMME L. WILSON, SPOKESMAN, AGRICULTURAL POLICY, MONTANA STOCKGROWERS ASSOCIATION, INC.

Mr. WILSON. Mr. Chairman, my name is Jim Wilson. I represent the Montana Stockgrowers Association as their spokesman on agricultural policy.

I am a cattle rancher from western Montana where we are involved in raising Hereford cattle, small grains for silage and timber for commercial lumber.

The cattle industry is the largest segment of Montana agriculture according to cash receipts. Throughout the history of Montana and the Nation, American beef industry has played an integral role in the economy of our country. In the past, cattlemen were accused of being negligent of agriculture as a whole, so in 1984 we became involved in drafting the 1985 farm bill. We were the new boys on the block, but we were involved in issues critical to the cattle industry.

The following are some of the issues important to my association:

The payment and time program made it one segment of agriculture at the expense of the cattle market-oriented grain policy which is perhaps the most important policy change for the cattle industry included in the 1985 farm bill. Beef promotions and beef checkoff has helped the cattle industry tell a story about how nutrient-rich feed benefits a diet as well as bolsters demand. The check-off is approved by an overwhelming majority of the cattlemen, and we in the industry thank Congress for giving us the opportunity to prove the merits of a program funded by the producer.

Thirty million acres have been enrolled for the conservation programs. The probability of gain in grazing during the term of the CRP control was a prudent decision, although Secretary Yeutter has revised the previous policy. We believe the drought relief measures were warranted.

The new law passed in 1987 is a fair compromise that recognizes regional differences. In Montana, where semiarid climate influences set-aside acres, the debate over haying and grazing set-aside was not as intent as in other areas of the United States. We hope this will end the contentions and debates on haying and grazing.

The Dairy Termination Program was a disaster for the cattle industry. Mismanagement by the ASCS and a hastily conceived program precipitated a lawsuit by the cattlemen which forced the USDA to follow an orderly marketing order previously outlined by Congress. It was a sad day for MSG to bring suit against USDA. The Montana Stockgrowers Association strongly believes that dairy termination programs are counterproductive and should not be utilized in the future.

Instead, we should continue to use the national milk producers task force report which states that if milk supplies exceed demand by certain levels, the cost of the result in excess removal being paid by those producers whose marketing exceeds their allotted share of market requirements.

The 1985 farm bill provided that no producer be forced to pay twice for products that they buy. This legislation was fully supported by the Montana Stockgrowers Association.

The single factor which led to the success of the 1985 farm bill was the fact there were no major changes midterm, giving the producer time to adjust their particular operation to the program.

The Montana Stockgrowers Association will be involved with the National Cattlemen's Association Agricultural Policy Committee in the development of the 1990 farm bill. We will work diligently with other agricultural groups to develop consensus and coalitions in order to form a farm bill we can all be proud.

The new grain policy idea of triple base marketing is being aired as a way to provide program grain producers with flexibility in their planting decisions. Some performance of the triple base plan would allow nonprogram crops to be grown on the operator's base. Would it be fair to allow nonprogrammed crops to be planted on protected program crop base acres? How would this affect producers who do not farm the Government program? Grain policy, in any event, should continue to use market focus for price discovery.

Dairy policy in the 1990 farm bill will continue to concern cattlemen. It is apparent in the cattle industry that if a milk surplus is growing at a reasonable amount, the Government will again have to slaughter cows to remove the surplus.

As I mentioned earlier in this testimony, milk supplies exceed demand by certain levels. The cause of the resulting excess removal should be paid by those producers whose marketing exceeds their allocated share of market requirements. Montana Stockgrowers cannot idly stand by and allow dairy policies to be implemented that encourages overproduction.

The conservative title of the 1990 farm bill may prove to be the most controversial aspect of the bill in a sense that forces outside of agriculture will have too much input into the title. We cattlemen are all concerned about the environment, but the Montana Stockgrowers question the methods used to address the situation. We believe it is imperative to closely guard private property rights as Congress writes environmental laws.

Ranchers will depend on both the Senate and the House Agriculture Committees to defend and protect private property. The Conservation Reserve Program will again be reviewed in 1990 and the question foremost on our minds is what will be done with the land under CRP after the conditions of the contract are fulfilled. We would like to see the land returned to commerical use with no restrictions. If payment is to be made to a CRP participant for extending his lease, then the no hay integration position of the law must remain intact.

Recently, two bills have been introduced in the Senate to amend the Federal Noxious Weed Act of 1974. This will give an opportunity, Congressmen, for private landowners as well as state lands to cost share wheat control on Federal lands and those people that have joined the BLM Federal land. We feel that this legislation will be tied to the 1990 farm bill. There will be other issues that surface before the 1990 farm bill is written.

The Montana Stockgrowers and their national affiliate, the MCA, will follow all titles and will take part in developing any programs that affect our industry. In fact, items such as restrictive use of pesticides, further encroachment on ranchers to protect wildlife habitats, additional efforts to improve and monitor water quality and recreational access to lands in the Farm Program will all merit close scrutiny by MSGA.

Mr. Chairman, thank you for the opportunity to appear today and I will answer any questions.

[The prepared statement of Mr. Wilson appears at the conclusion of the hearing.]

Mr. GLICKMAN. Mr. Braaten.

STATEMENT OF DONALD L. HERZOG ON BEHALF OF THE MONTANA PORK PRODUCERS COUNCIL

Mr. HERZOG. Mr. Braaten isn't here today. I am taking his place. I am Don Herzog. I live in Rapelje. I am wearing a little different hat today than I sometimes wear as we raise grain, cattle, and hogs. So there are times when I wear different hats.

I appreciate the opportunity to speak here today, Congressmen, and I thank you for that opportunity.

I am representing the Montana Pork Producers here today. It should be pointed out that it is a $31 million industry in the State. You hear a lot of talk about added value, moving our product closer to the consumer. Basically, what we are doing in the pork industry is we are converting grain into meat. Instead of paying transportation costs to market on 4 pounds of grain, we are paying it on 1 pound of meat. That is basically what we are doing. And of course with technology we are trying to do it as efficiently as possible and as profitable as possible.

I guess that is why we are all here today. We are concerned about what it takes to make a profit in our particular business, and I think that everyone that has testified here today has testified in that light. What is affecting them in regard to farming.

To produce hogs, it requires, in today's business, it takes a lot of time, effort, and quite an investment in capital which pork producers do. About 90 percent of the pork producers in the State of Montana also raise grain, so anything that you do with the farm bill in regard to grain is going to affect pork producers. We just urge that whatever you do in this farm bill, that you do it fairly and bear in mind when you affect one segment of agriculture, many times you affect the others. There are similar things that happen in the cattle feeding industry, and the pork producing industry when we start messing with the price of grain and artificially manipulating it.

The 1990 farm bill, that is our basic concern, is that we keep it fair and keep all segments of agriculture in mind.

The 1985 food policy was good for pork producers in one area. We did get the Pork Act passed. We have a national checkoff and we use those dollars to promote our product much the same as the beef people are doing with their checkoff. And this is a positive note.

However, along with that, we are running into some real restrictions on the part of the Department of Agriculture and how we can expend those funds to affect our industry. We would appreciate you taking a look at that a little bit.

There has been a lot of talk here today about the Canadian situation as far as trade is concerned and the Canadian Free-Trade Agreement. Congressman Smith is sensitive to that and he has asked us several questions concerning that and comments were made. I don't mind free trade if it is fair. And I think we all would like to see free trade, but let's make sure that fair trade and free trade are the same. In some cases they are not.

It is very difficult for me or anyone else as pork producers to compete against a subsidized product coming in from out of the country, and that is basically what is happening in the pork industry right now.

In the State of Montana, we have lost a packing plant and we have lost a lot of producers over the past several years in the State, and of course, those all affect our economy here in the State of Montana. We would urge that any future trade negotiations bear in mind that, again, what you affect in one area affects something else. When you change something somewhere in a free trade agreement, you might be affecting someone else somewhere that you may not think about.

We are having a tough time competing against the Canadians with their subsidized production coming into the United States. Really what those Canadian producers want is our market.

As far as the Drought Program is concerned, I have no comments. I am just hitting a few highlights of my personal views here along with the written testimony that you have in front of you. You can read through that to get any details.

When it comes to safety and welfare, we hear a lot about the residue issue. It is on everyone's minds. It is in the newspapers and the magazines. You hear a lot about animal welfare and how we are treating the animals. I guess we should bear in mind anything that is enhancing the performance of our animals is beneficial to us. So if we are mistreating animals, we are going to suffer in the efficiency of our operations. I think that is something that needs to be kept in mind by everyone who is addressing the animal welfare thing. We want to deliver a quality product to the consumer who is the ultimate judge of what we are producing. We want it to be residue-free, and we make no apology because we think we are producing a very high quality product. We would urge that unnecessary regulations and redtape and what not be looked at closely by our Representatives.

Thank you very much.

[The prepared statement of Mr. Herzog appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you.

Mr. Gilbert.

STATEMENT OF ROBERT N. GILBERT, SECRETARY-TREASURER, MONTANA WOOL GROWERS ASSOCIATION

Mr. GILBERT. For the record, I am Bob Gilbert. I am secretary-treasurer for the Montana Wool Growers Association of Helena. We have about 2,600 members in the State. Membership encompasses probably 80 to 85 percent of those raising sheep in Montana.

Today I want to make some comments about a program that is a part of the Food Security Act, which we used to call the farm bill. It has been around since about 1954, and indeed on Monday, some 35 years ago, we celebrated a 35-year birthday as it was signed into law during the Eisenhower administration.

This bill came in and has been a program that has worked very well because there was a lot of thought going into the program. It was established by Congress in 1954 after a study of whether imports were hurting the domestic sheep industry on wool and imports. Indeed, it was found out to be the case that imports were affecting it, and the idea was: How could we compete here in the United States against the foreign wool to keep the domestic supply of wool and the accompanying product, lamb, so that we weren't completely dependent on Australia for our woolen needs?

At that time you have to remember that Australia was a friend of ours and there was no inclination to raise the tariffs of wool, so they used a portion of the wool tariffs under a device program called an incentive program to supplement the incomes to domestic growers.

Again, it is important to note that this isn't a target price but indeed an incentive price which takes into consideration the cost of production, the incentive level takes into consideration the average price of wool throughout the nation, and it is divided, and then the payment is made by a percentage basis.

So if the incentive level as it has been set for this year is $1.77 and you sell your wool for $1, it doesn't mean that the Treasury is going to reimburse you the 77 cents difference. Indeed not, because a farmer using the percentage basis, those who seek out the markets, those who market the best kind of wools, will receive a bigger incentive payment.

The incentive program itself, I might note, is being paid for by tariffs on imported wool like some other commodity programs that I have found out in the last 2 days. This is a money-making program for the U.S. Treasury. The incentive checks that were sent to growers last year paid out some $86.3 million to U.S. producers of wool and the tariffs on woolen goods and ad valorem taxes on woolen products coming into this country took in $435 million. So thus, we saw a net gain for the Treasury of some $350 million.

Of course, the USDA has some argument with what I just stated, but it is clear and in the record in 1954 in the testimony presented at that time that that was the intent of Congress and the intent of the Department of Agriculture. We felt that is the way it works. Some people have suggested that we do away with the tariffs and the cost of woolen goods would be lower to consumers, but I point out to you that the cost of the tariff on imported wool is 10 cents a pound. As far as the ad valorem taxes, that amounts to the price of the hang tags that are on the garments that are being imported into this country. It is certainly nothing that is going to really affect the consumer.

I might note that the Wool Act is important to us. It is important to the people who are raising two products that we import into this country, lamb. We do not supply enough lamb in this country. We import two-thirds of the lamb we consume from New Zealand and Australia. It is also the same case with wool. Two out of every 3 pounds of wool is imported.

It was mentioned earlier by Ed Kuntz, and also Mr. Steinbeisser about the GATT treaty. We also, by the way Congressman Smith, have some concerns about the GATT trade and what they might do with the wool tariffs; remove them completely and then how is that going to affect the program.

We also are watching closely, Congressman Smith, the Canadian Free-Trade Agreement. Are we going to see more lamb coming into this country that may, in fact, not be raised in Canada, but being circumvented by New Zealand dumping lamb into Canada and then come across the border? That has not been the case to date, but is something we are watching, and I know you will watch because in Oregon the shipment of New Zealand live lambs comes into your home Port of Portland.

Again, in closing, I certainly appreciate you three gentlemen coming out here and giving us an opportunity to meet face-to-face and enjoy some conversation about something that is important to Montana, and that is agriculture, and sheep are probably right at the top, if you ask me.

[The prepared statement of Mr. Gilbert appears at the conclusion of the hearing.]

Mr. GLICKMAN. I would say that I have wool on. I want you to know that.

Finally, Mr. Buhmann, it is a pleasure to have you.

STATEMENT OF ROBERT L. BUHMANN, PRESIDENT, MONTANA STATE BEEKEEPERS ASSOCIATION

Mr. BUHMANN. Thank you. The Montana State Beekeepers Association was founded in 1915. Over the last 74 years, our association has worked for the Montana honey producers. Our goal has been to provide the information needed by our membership to survive the special conditions for beekeeping in Montana. Also, we have worked on a State level to provide the legislation necessary to protect Montana's honey industry from threats such as bear damage and pesticides to bee diseases and encroachment on our apiaries by illegal bees.

Montana has over 50 family-operated beekeeping farms which range in size from 500 to 5,000 colonies or hives of bees. Although this does not seem like a large number of beekeepers, most of these businesses are trying to support from two to three or more families. These major bee farms, along with another 400 part-time and hobbyists, make Montana one of the largest honey producing States in the Nation, ranking very often in the top five.

My family first came to Montana in 1930. With them they brought 500 colonies of bees loaded in three railroad boxcars. This was a gamble, but nearly 60 years later after floods, droughts, and depression I am now a third generation Montana beekeeper.

Today we now run over 2,000 colonies of bees in north central Montana. I enjoy what I do and I know that others in the business do also. I don't mind it being oftentimes hard to make a living at beekeeping. I just don't want it to become impossible to do so.

Beekeepers need to remain in the 1990 Farm Security Act. Our price per pound of honey has been cut by 4 cents from the 1988 price. We can't survive a much lower price. As we all know here today, everything else, from fuel, equipment, and the grocery store, continues to go up.

Honey does move. Right now the honey market is looking up. The Buy-back Program is keeping domestic honey on the shelves and competitive with foreign honey. If all we had to look at was the activity in the honey market our future would look bright at this time.

But that is not all. With the recent entrance into the United States by two parasitic honeybee mites, our problems and expenses have just increased, and now the Africanized honeybee or so-called killer bees are knocking at our back door. When they reach the United States, the results to the bee industry will be devastating, not only to honey production but to the crucial pollination of crops which most Montana beekeepers partake in.

Thank you for taking this time to listen to our needs. I would like to, at this time, yield the remainder of my time to my vice president, Mr. Barnett.

[The prepared statement of Mr. Buhmann appears at the conclusion of the hearing.]

STATEMENT OF RONALD A. BARNETT, VICE PRESIDENT, MONTANA STATE BEEKEEPERS ASSOCIATION

Mr. BARNETT. Thank you, Rob.

Americans seem to be hooked on hiring experts who smother us with numbers and then we have an oversupply of economists who use statistics to predict our future and fortune.

Beekeepers, along with other Americans, regularly consult experts, read economic reports and search for facts. Economists can on short notice publish ominous amounts of facts on any subject. Most of the statistics are "official" in the sense that they are published by the Government. Most of us here compare them to weather reports. Accurate figures put in the media elite wreak havoc on the truth.

Then on occasions, some politicians take political positions and then search figures to prove their point. Never mind that they might ignore some important point about honeybee pollination. I am not questioning the need of experts. We need them, but every expert solution needs a careful proofreading by nonexperts with experience. Beekeepers who understand the honeybee well enough to make money are well qualified to make a judgment on figures about beekeeping. For that reason, I am grateful Congressman Marlenee has asked us to express our views on the 1990 farm bill.

Rob and I are both members of the Sioux Honey Cooperative in Sioux City, Iowa. Sales for 11 months of the current fiscal year, which ended June 30, 1989, were up 2,211,000 pounds over the same period of 1 year ago. Reports show that honey sales for the entire industry have increased during the same period of time.

Export sales are up 350,000 pounds over 1 year ago, which is a dramatic increase. The Middle East is still our largest market, with Kuwait being our best customer. Business in the Far East has been reestablished. We have received our first order from Japan and have some good business in the Philippines. In the near future we will be appointing a broker in the European market and intend to become established in that area before Europe becomes united in 1992. With the reestablishment in the Far East and renewed efforts in Europe, export sales should continue to rise over the next few years.

Honeybees are valuable indeed. A recent Cornell University study for the National Honey Board estimates every dollar paid for pollination returns at least $60 in additional production. Yields of blueberry, cranberry, almond, alfalfa, and many other crops wouldn't be worth a plug nickel without honeybees to pollinate them, and today's large ranches and farms depend on beekeepers who bring in their bees to bolster crop yields.

Roger A. Morse, professor of apiculture at Cornell, said: "When we had small farms, we had enough native bees around to pollinate crops. But it is an altogether different situation with our modern large-scale agriculture and the increased yields it demands."

In relationship to the problem with the introduction of two parasites, the varroa and the tracheal mite, there is no solution yet for the varroa; for the trachael, there is a solution.

Change in the way Rob and I must operate is a reality. Change is usually a challenge. The change in controlling these parasites costs and increases operating expenses, but what's new? Rob and I will work to make it a positive happening instead of easily giving into our worries. We simply ask for the buy-back prices to remain the same or be increased to continue to make us a competitive equal with other countries.

Thank you.

[The prepared statement of Mr. Barrett appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you all for your testimony.

I would just make the comment to both the stockgrowers, the pork and the wool growers, that during my trip to the Soviet Union I became aware of the fact that its consumption of animal proteins per capita is maybe in the neighborhood of 10 percent of what ours is. And it knows that a mark of a modern society is getting that figure up dramatically, and they don't have enough feed to feed their animals. It feeds wheat to their animals. It grows corn and just cut it up into silage so it doesn't have the benefits that ours does. It is doing a little bit of experimentation with both hogs and cattle but it is clearly behind ours. And one of the things I heard more than anything else was that their people dream of having the same supply of animal protein as our people do or who are in Western Europe.

In my own State, particularly the cattle industry, it is now the largest single part of our State's economy, agriculturally even larger than wheat production. So we just appreciate the livestock business and how it has been able to grow over the last 20 or 30 years. Hopefully, we will not do anything in the farm bill that adversely affects that.

Mr. Marlenee.

Mr. MARLENEE. On your recent trip to the Soviet Union, Mr. Chairman, you had discovered or stated to me that the producer or crop to consumer losses were extremely high. I have found the same thing.

We all bemoan the fact that the middleman receives a lot of money on the way to the price on the grocery shelf. But we do have a very efficient delivery system in this country that insures wholesome, good food to the consumer, a system that the USDA plays a part in in guaranteeing that that food is healthful and wholesome, a system where the middleman plays an extremely good part. But in some of these foreign countries, they lose 30 to 40 percent of what is produced through theft, loss, spoilage, whatever. Transportation, it gets lost just getting to the consumer. Of course, we don't do that in this country so we have to take our hats off, I think, to the middleman, even though we bemoan the fact that they are taking a big slice out of the cost when it gets to the grocery shelf.

Most people don't recognize how diverse the economy is in the State of Montana. We kind of live in our parochial producer world. The farm bills are complicated, extremely complicated with one commodity line or a portion of the budget that we have and up against another commodity. It does come out oftentimes interrelated as to the cost and effect as Jimmy pointed out. We can't do a lot in certain areas without impacting either pork, wool, or the beef industry.

Most people don't realize that honey is No. 5 and has been No. 5 here in Montana with regard to Montana being the fifth largest or fourth largest honey producer in the United States of America. I didn't realize that until I got involved in writing that part of the farm legislation I appreciate your coming and I don't have any questions for you.

Mr. GLICKMAN. Thank you very much. Mr. Smith.

Mr. SMITH. Thank you, Mr. Chairman.

Mr. Herzog, I want to suggest to you that I will help you in any way possible to give you the flexibility of the Pork Act that you need, as you requested.

I am not really sure whether that restriction was in the method in which you proposed a checkoff initially or it is controlled by the Federal Government or the USDA in the implementation of the Pork Act. You tell me.

Mr. HERZOG. Yes. Some of it is in the interpretation of the act.

Mr. SMITH. Is it going to take a change in the Pork Act or do you think we can address it through interpretation?

Mr. HERZOG. I visited with people in Washington, DC, on this. In fact, I was there last spring in Washington, and I think that it is probably as much involved in interpreting the law as it is written, more than the language of the law is. It is in the interpretation, I guess, how you would perceive it. Ten people can read something and come up with 10 different opinions, and I think that is what we are doing right now.

Mr. SMITH. Does the Pork Association support your position?

Mr. HERZOG. Yes.

Mr. SMITH. Well, why don't you get your interpretation to us?

Mr. HERZOG. That I will do. We have been trying to get some more information to you in specifics as to what we are concerned about. We will get that information to you.

[The information follows:]

SUBMITTED BY MR. HERZOG:

National Pork Producers Council 1989 Issue Paper

PORK ACT/INTERPRETATION

OVERVIEW

The Pork Act, which provides for the national legislative pork checkoff, was passed by Congress with the intent of providing funds for promotion, research and consumer information programs. The Agriculture Marketing Service (AMS), an agency within the U. S. Department of Agriculture, is responsible for implementing the Act, and assuring that funds are spent consistent with the law.

Recently, USDA has decided to follow an extremely narrow interpretation of the Act on how funds can be spent. Pork producers feel this interpretation is unacceptable because it severely limits their ability to enhance the image and consumer acceptance of pork.

WHAT THE PORK ACT PROHIBITS

The Pork Promotion, Research and Consumer Information Act restricts any use of checkoff funds to influence legislation. Pork producer legal counsel has interpreted this to only prohibit contact with members of Congress or state legislators to influence specific legislation (lobbying).

WHAT USDA WANTS TO PROHIBIT

Influencing Government

The recent USDA interpretation seeks to go beyond this view of the Pork Act to prohibit the use of checkoff funds for any contact with any state or federal government official, for virtually any purpose.

Promotion Definition

In addition, USDA has narrowly defined the term *"promotion"* to only include traditional means of promotion like advertising and media relations, and NOT to include issues of food safety, quality assurance, disease control, etc.

Specifically, USDA has told the Pork Board that organizations such as NPPC cannot use checkoff funds to contact USDA officials on programs such as food safety, quality assurance and biotechnology. In addition, this interpretation prohibits state pork producer associations from using checkoff funds to contact their own departments of agriculture on subjects such as pseudorabies eradication programs.

USDA's position is that all legislated commodity promotion and research programs will be administered the same even though the various commodity program laws have different wordings, particularly regarding dialogue with government officials.

PORK PRODUCERS' POSITION ON INFLUENCING GOVERNMENT

Not all commodities and the issues producers face are the same, and thus, their legislation is also different.

Pork producers consciously pushed for wording different

NPPC Headquarters
P.O. Box 10383
Des Moines, IA 50306 · 515/223-2600

NPPC Washington Office
Suite 400 · 501 School Street, S.W.
Washington, D.C. 20024 · 202/554-3600

from other commodity checkoff laws in the 1985 legislation. Congress agreed when it passed the Pork Act and included a different definition of lobbying, taken from the IRS Code. The Pork Act definition only prohibits influencing legislation as defined in Section 4911 (d) and (e)(2) of the IRS Code of 1954; it does not prohibit influencing governmental policy or action.

The USDA radically altered the meaning of the Pork Act when it promulgated a rule which established the requirements for prohibited use of checkoff funds.

The USDA modified the final rule before publishing it in the Federal Register on September 5, 1986, by adding to the Pork Board Order, the following words Congress had not chosen to include in the Pork Act: "or for the purpose of influencing governmental policy or action except in recommending to the Secretary amendments to this part."

This change was made, without opportunity for comment, even though pork producers were opposed to the change and the effect of the wording is contrary to the provisions of the law and severely changes the proper interpretation.

PORK PRODUCERS' POSITION ON THE DEFINITION OF 'PROMOTION'

Legal counsel states that the USDA definition of promotion is unrealistically restrictive and not as envisioned by the Congress. Promotion is anything that enhances the image of pork. It is impossible to promote a food product to an increasingly health conscious public, if that consumer doesn't believe the product is safe, wholesome and healthful. Programs of food safety, quality assurance, residue and disease management, biotechnology, etc., all are critical components of the overall effort to "promote" a better, more consumable product. They clearly fall within the definition of promotion. They also require working with appropriate agencies within USDA.

An excellent example is the sulfamethazine situation in 1988. When residues in pork increased to a high level, producers immediately took corrective action. Through a team effort by producers, private industry and government, a dramatic reduction in sulfa residues was achieved without mandatory sanctions, and public concern about the safety of pork for consumption was avoided. It was clearly a part of promotion.

PORK ACT: PRODUCER PERSPECTIVE

It is unthinkable that questions of food safety or swine disease control could be effectively approached without government, but government can't do it alone! Issues are best addressed from a team perspective; a team that must include government, private industry, the producers and their associations. Regular contact with government officials on a county, state or national level, not to lobby but to share information, is fundamental to problem solving, and that is what producers supported in the Pork Act.

Pork producers asked for the passage of the Pork Act through which they use their own money to support programs which benefit the pork industry.

Producers need to respond to a wide range of issues surrounding swine production, marketing and health, including the regulatory and legal aspects. These issues are permissible uses for checkoff funds as long as they are non-legislative efforts, because they have a dramatic effect on promoting swine, pork and pork products. This is what the Pork Act is all about for producers.

REQUEST FOR ACTION

NPPC urges Senators and Congressmen to contact Secretary Yeutter to request changes in USDA's present interpretation of the Pork Act.

Mr. SMITH. And also I am sure we all agree that the health and sanitation thing on pork coming into America ought to be up to our standards. I totally agree.

As I recall, the pork producers were successful in a countervailing duty against Canada, which I think lasted 5 years; did it not?

Mr. HERZOG. Yes. Well, the original countervailing duty was on live animals only. Well, the Canadians shift gears pretty fast. Immediately they started to ship their exports to the U.S. processed, and so in the last 5 years the processed product that is coming into the United States has increased dramatically.

While the countervailing duty is on the live hogs, that was fine. But the products have been coming in so we have had to file on a second decision, which we have a preliminary hearing on, preliminary ruling, excuse me, on. There was a note when I got home last night that we got a favorable ruling. I had to leave home too early this morning to get on the line and find out what the ruling was.

Mr. SMITH. But the countervailing duty does not offset the subsidy by the Canadian Government. That subsidy averaged $14. I am not sure how it relates to the product, whether it is 500 weight or what it is. Thank you.

Bob, the Free-Trade Agreement specifically denies the opportunity for Canada to substitute imports that are sent into the United States, so if there is any idea or proof that that is current, that is a violation of the agreement, and I want to know about it and I will follow it.

Mr. WILSON. That is being watched through the Commerce Department.

Mr. SMITH. Yeah, right. Jimmy, I put together the caucus and chair it. Mr. Marlenee is a member. Mr. Glickman is a member and we have about 60 Members of Congress who are involved. So we are going to monitor the beef business as carefully as we can and we will look forward to hearing from you folks in Montana on occasion. When you need our assistance, we are there. Call us.

Thank you all for testifying.

Mr. GLICKMAN. Thank you all very much. This concludes the witnesses for today's hearing. I am going to let Mr. Marlenee close the hearing.

I would say that this has been an extremely useful experience. This hearing has produced a group of talented and able witnesses who have given us a lot of useful information as we deal, not only with the farm bill, but as we deal with problems arising out of the agricultural policies.

As I said before, our attention span is so limited in Washington that when we sit down at a congressional hearing we have 29 million different pressures on us and we are always down, up, down, up. Here, we can really sit and focus. Here it is a different story. You would be surprised at how much impact this kind of thing has on us.

So I just appreciate the opportunity for the subcommittee to come to this district and this State, and you have my assurance, and I know you have Mr. Smith's and Mr. Marlenee's assurance that your views will be a part of the record and part of the decisionmaking policy.

It was over 200 years ago that Alexander Hamilton was trying to explain to a fellow named Tocqueville, who was a French philosopher, what the difference was between America and the rest of the world as this republic was being founded, and Tocqueville said, "Well, what makes you so unique, so special?" And Hamilton responded with five famous words. He said, "Here, sir, the people govern." And hopefully that is what you have seen today, is that you have governed through us.

You are our employers, you pay our salaries and you are the ones that may always get your way, but that is not the way it can be in a democracy. There are too many competing ideas. Our job is to try to put them together. But you, at least, have the opportunity to get your views heard and, for the most part, get your positions implemented into law. It is not complete, and sometimes it is slow and it doesn't work as neatly and cleanly as it should. But again, after spending 5 days in the Soviet Union, I would much rather have it here than over there, and I am sure that most of you would, as well.

So I appreciate the opportunity, and I want to thank Mr. Marlenee and his staff for being so cooperative in setting up this hearing. I will now yield to him.

Mr. **Marlenee**. With regard to the people here, it is funny how much closer that is to the truth the closer we get to election time.

I am glad we are having this hearing on an off-election year. We would be remiss if we didn't thank those who worked the hardest, much harder than we do, in formulating legislation and setting up hearings and doing the work, like Joe Muldoon, who is from committee staff in Washington, DC, with the full committee. John Dogget is a Montana kid, who has come up here from White Sulphur Springs. He is on my personal staff and has responsibility in agriculture. Kenny Noland is in charge of my field staff in the State of Montana. He is the one that catches all the flack and is a buffer between you and me and oftentimes in transmitting information. Anne Keys is on committee staff. Greg Howell is back there somewhere and is chief of committee staff. Would you stand back there. This is the guy that takes care of the ebb and flow in the Wheat, Soybeans, and Feed Grains Subcommittee. And Cliff Humphrey is the minority consultant on that committee. Cliff works for me and works for Danny Glickman.

We thank our committee staff for doing a good job and in acting as a conduit for information and legislation formulation. The testimony you have given in front of the subcommittee forms the legislative initiative.

So thank you, fellows and gals, for all you have done.

I would like to thank my colleague, Bob Smith, for coming over from the State of Oregon. We came over from a hearing in his district, getting much the same message there that we got here today. Thank you, chairman of the committee, Dan, you do a good job, and I would like to say to the Agriculture Committee, we are proud of you. We are proud of the full committee and its actions and the way it approaches in a business like manner the problems that we have in agriculture.

I think we can all agree. That is not true in all committees. It is not true in the Interior Committee or some of the other committees where there are vast ideological splits. This committee tries to resolve their differences.

And most of all, I would like to thank all of you who have been very courteous and have delivered to us some very important information. Courtesy and consideration is part of the Montana way. We thank you for that, and at that, Mr. Chairman, you may bring down the gavel.

Mr. GLICKMAN. The hearing is adjourned.

[Whereupon, at 11:30 a.m., the subcommittee was adjourned, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

Hearings of The United States of America House of Representatives Subcommittee on Wheat, Soybeans and Feed Grains - Testimony presented by Mr. Everett Snortland, Director of the State of Montana, Department of Agriculture

Chairman de la Garza, Representative Marlenee, members of the committee, for the record I am Everett Snortland, Director of the Montana Department of Agriculture. It is indeed a great honor and privilege to welcome you to the State of Montana as you conduct your hearings today.

We sincerely appreciate your presence and the time you are dedicating to the concerns of Montana citizens. The testimony of those here today will provide input critical to your continued deliberations as you return to our nation's capitol. I would like to extend an invitation from the Governor of our Great State, Mr. Stan Stephens, to join us in Helena, our State Capitol, on November 8th as we celebrate our Centennial and the day that Montana was admitted to the Union 100 years ago.

To help your perspective on agriculture in Montana I would like to take just a minute to provide some basic background. Montana is a word derived from the Latin word meaning "mountainous". We are often referred to as "The Treasure State", The Land of the Shining Mountains", and "The Big Sky Country". We have the Big Sky of the plains and crystal water of the mountains. Admitted to the Union on November 8, 1989, we are the nation's 4th largest state.

Montana has within its boarders portions of three drainage systems. We provide water to the Columbia, the Missouri-Mississippi, and the Hudson Bay. The Triple Divide, where water flows in all three directions, is located in Glacier National Park.

Montana's agricultural heritage is almost unexcelled as our state's 147,000 square miles and 93.2 million acres encase 60.7 million acres of land in farms and ranches. This is second only to the Honorable Chairman de la Garza's great state of Texas. Montana is 4th in the nation with has approximately 2.4 million acers in the Conservation Reserve Program. Our industry strives to work in harmony with our 10 National Forests, comprising nearly 17 million acres, 11 wildernesses with another 3 million acres, 2 national parks, and 10 state parks - not to mention 7 state forests and some 67 or so recreation areas.

Agriculture is the number one industry in the State of Montana. We usually rank about 2nd in the nation in spring wheat production, 3rd in winter wheat production, 3rd in barley and 2nd in oat production. We are 6th in sheep and wool production, 7th in beef cattle production, 8th in sugarbeet production and 12th in alfalfa hay production. As you can see, your actions for both program and non-program crops are very important to Montana agricultural producers. We produce all forms of livestock, potatoes, canola, corn, Christmas trees, cherries, grapes, mint, hay, honey and other alternative crops.

I was born and raised in Conrad, Montana on a grain farm southwest of Conrad that was homesteaded by my grandfather in 1909. I have had the dubious honor of not only experiencing the impact of farm programs as an active small grains producer; but, also as a state legislator, lobbyist, and an administrator, serving as the State Executive Director of the USDA/ASCS for Montana from July 1981 to January 1989 and serving as Director of The Montana Department of Agriculture today. Through all of these activities I have grown to appreciate the complexity of the issues we face and the enormous responsibility of appropriately dealing with the difficulties associated with these issues.

As we look at the continuing decline in our population associated with direct agricultural production, we can suspect that many of the provisions of the 1990 Farm Bill will be made by non-farmer/ranchers. As long as we are able to provide an abundant supply of cheap food we must anticipate a disproportionate increase in environmental concerns involving such issues as food safety, clean air and clean water, farm worker safety, conservation, endangered species and animal rights. It is a forgone conclusion that we, as an industry, must address these issues. I am confident that you as our legislative representatives can balance these issues while maintaining the viability of our strong agricultural industry. We must balance these things with production realism in addressing issues such as noxious weeds on federal lands, the Russian Wheat Aphid and export demands in relation to world and domestic need.

An example of what we face was illustrated at a national conference on organic and sustainable agriculture held in March 1989. At that conference Dr. Charles Benbrook, Executive Director of the Board of Agriculture, National Academy of Sciences, cautioned those persons eager for an immediate turn around from the reliance on agrichemicals to diversified, organic systems that they must be patient. He said, "I think it is very important for us not to underestimate the difficulty of a farmer going to a new diversified ag system." He went on to note that fat intake, not pesticides is America's greatest dietary problem today.

We have seen individual states addressing many key issues. This was exemplified as Montana agriculture took the bull by the horns and worked with environmental groups to pass HB 757 addressing agricultural chemicals in the ground water. As states move forward to address and resolve issues such as this, the federal government should use restraint. Let states address their needs. Where federal legislation is mandated by the necessity to provide overall coordination, it has proven to be effective to allow states to move forward with their individual programs, certifying those programs to meet federal legislative requirements. The EPA and USDA/APHIS programs are examples of this cooperative process that enables states to address issues on a local basis. Although all cooperative programs can be improved, this process works and can continue to work while being more responsive, and overall less expensive to the taxpayer.

I sincerely encourage the committee to work to balance the 1990 Farm Bill. We can not allow extreme positions to dictate development of its provisions. Montana has the capability to work cooperatively with you to address the issues facing us in the 1990's. Let's work together to provide flexibility for local input and response to provide the ability to address differing geographical considerations and parameters.

Thank you Mr Chairman, Representative Marlenee, and members of the sub-committee, for coming, listening and receiving Montana's input in your deliberations.

WRp/pb/ustest.wrp/deputy

MONTANA ASSOCIATION OF FFA

Office of Public Instruction
State Capitol
Helena, Montana 59620

I'm Jeremy Danbrook, State President, Montana Association of FFA. I've lived on a farm for the last fifteen years. I rent four hundred acres of land from my Dad, where I raise crested wheat grass and sainfoin for seed production. I'm starting my fifth year in the FFA. I've done many things in the FFA from spending time in our Nation Capital, to helping the needy in my community. Over the last four years I've carried that acreage I'm renting from my Dad as my Supervised Agricultural Experience Project. This fall I will be going to Bozeman to study agriculture economics.

I would like to bring to your attention the problem I encountered last year on my FFA project. Last year was the first year my crop was old enough to set seed . With the lack of moisture I was unable to harvest a crop. On applying for disaster payments I was turned down because the county committee didn't see me as an operator. My argument was that I was growing a perennial crop and this was the first year I would be able to harvest. For the three years previous I payed rent, provided maintenance and labor, and have kept records that are recorded with the state FFA. I took my argument to the state committee where I was told of a new ruling. I was told that if I had not harvested the previous four years that I would be ineligible of receiving disaster payment. Even though I have written documentation of my intention I was still turned down. The point I'm trying to make is that the farm programs make it hard for new operators to get started and older operators to stay in the business. One thing I see happening in the eighty five farm bill is that when the farmer signs up for the program ,like he had for the last ten years,at the end of the year he could be thrown out of the program for some minute mistake. I feel he should be penalized for what he does, but not thrown out of the program.

In the ninety farm bill I would like to see education supported. As you may know, agriculture is changing faster than even the high technology industries, including computer technology. With over two hundred careers in agriculture today the people of the United States need to know that agriculture is more than just farming. The best way to assure that agriculture will remain healthy and growing is to teach agriculture to the future generations. I feel that we need a nation- wide campaign in schools to further the knowledge of agriculture. Montana and the FFA have programs like this already. Montana has a program called Ag in Montana Schools which is a branch of a national program, Ag In the Class Room. The FFA has a program called Food For America. If these programs were brought into classrooms in every State, people would have a better understanding of agriculture. I would like to see programs like this funded through the ninety farm bill.

With agriculture growing at such a fast rate I feel the people need to further their education in agriculture. In my town my ag teacher, Bill Jimmerson, offers classes to local farmers to further their knowledge of the changes in agriculture. Along with adult education I see a need to further the education in agricultural education and the FFA. I feel that a program could be put together that agricultural education, the FFA, and adult education work to help each other learn more about agriculture. If these groups could work together they could learn many things from each other. A program like this would be great for agriculture and the future generations.

Another an idea that I would like to see the nineteen ninety farm bill address would be a two market system. A two market system divides our market into world market and a domestic market. For example, a farmer would take his farm and split the acreage according to domestic use and world trade. The farmer would get paid say ten dollars a bushel for domestic use and then he would either set the remainder of the land aside or grow grain on it for the world market on a competitive world price. This way the United States could compete very well on the world market, and at the same time the farmer could receive a good price for his product. If the domestic price was ten dollars a bushel you may think the price of a loaf of bread would be prohibitive however, if wheat sold for ten dollars a bushel the price of bread would only go up five cents from today's price. I feel that past inflation has affected everything except ag commodities. I feel a two market system might be helpful to agriculture and the United States.

In writing the ninety farm bill I would ask you to remember the farmer as the number one reason for writing a farm bill. I would ask you to remember that we need to educate this nation on the importance of agriculture. I would like to thank you for allowing me this chance to be heard. If there is any thing I can help you with I would love to help.

Jeremy Danbrook

Jeremy Danbrook
State President
Montana Association of FFA

TESTIMONY OF
EDWIN J. KUNTZ
President
Mountain States Beet Growers Association of Montana

BEFORE THE
WHEAT, SOYBEANS AND FEED GRAINS SUBCOMMITTEE
of the
HOUSE AGRICULTURE COMMITTEE

Billings, Montana
August 30, 1989

MR. CHAIRMAN, MY NAME IS ED KUNTZ, FROM CUSTER, MONTANA. MY WIFE, PEGGY, AND SON, CODY, AND I GROW SUGARBEETS, MALT BARLEY, ALFALFA AND WE ALSO FEED CATTLE. AS PRESIDENT OF OUR 200 MEMBER GROWER ASSOCIATION, I AM PLEASED TO HAVE THE OPPORTUNITY TODAY TO DISCUSS THE TREMENDOUS IMPORTANCE OF THE SUGAR INDUSTRY TO OUR STATE AND LOCAL COMMUNITIES. I AM PLEASED THAT THE SUBCOMMITTEE HAS TAKEN THE TIME AND EFFORT TO COME TO OUR AREA AND SEE, FIRST HAND, THE CHALLENGES WE FACE HERE ON THE FARM.

THE HISTORY OF THE BEET SUGAR INDUSTRY IN MONTANA HAS BEEN A LONG AND OFTEN DIFFICULT ONE. WE DO NOT HAVE MANY ALTERNATIVE CROPS THAT CAN BE GROWN IN OUR STATE, SO THAT IS WHY SUGARBEETS ARE SO IMPORTANT. WITHOUT A FACTORY TO PROCESS OUR BEETS INTO SUGAR, WE CANNOT MARKET THE CROP. A TOTAL OF SEVEN SUGARBEET PROCESSING PLANTS HAVE BEEN BUILT IN OUR STATE. THE FOLLOWING CHART EXPLAINS WHEN EACH WAS CONSTRUCTED, THEIR LOCATION, THE COMPANY THAT HAD IT BUILT AND WHETHER THE FACTORY IS STILL OPERATING.

CONSTRUCTION DATE	CITY	COMPANY	STATUS
1906	BILLINGS	GREAT WESTERN SUGAR	OPEN
1917	MISSOULA	GREAT WESTERN SUGAR	CLOSED (1920)
1918	WHITE HALL	AMALGAMATED	CLOSED (1920)
1925	CHINOOK	UTAH AND IDAHO	CLOSED (1952)
1925	SIDNEY	HOLLY SUGAR	OPEN
1927	MISSOULA	AMALGAMATED	CLOSED (1966)
1937	HARDIN	HOLLY	CLOSED (1974)

AS YOU CAN SEE ONLY 2 FACTORIES HAVE SURVIVED OVER THE YEARS.

IN EARLY 1984 THE GREAT WESTERN SUGAR COMPANY, OPERATING THE FACTORY HERE IN BILLINGS, APPEARED TO BE IN SERIOUS FINANCIAL DIFFICULTY. THE GROWERS OF OUR ASSOCIATION DECIDED NOT TO TAKE A MAJOR RISK AND PLANT A CROP THAT YEAR. THERE WERE ABOUT 5,000 ACRES OF BEETS PRODUCED IN THE HARDIN AREA, WHICH IS EAST OF HERE, AND PROCESSED AT THE FACTORY. THAT FALL THE COMPANY DECLARED BANKRUPCY. THE INABILITY TO PRODUCE A CROP OR PRODUCING ONE AND DELIVERING IT TO A FACTORY THAT WENT BANKRUPT, LEFT DEEP ECONOMIC SCARS ON PRODUCERS AND SUPPLIERS, AND SENT ECONOMIC SHOCKWAVES THROUGHOUT THIS AREA OF THE STATE.

WHEN FARMERS REFUSED TO PLANT BEETS IN 1984, THEY TURNED TO PRODUCING CORN FOR SILAGE BECAUSE OUR FEED GRAIN PRICES WERE LOW, AND OUR CORN AND WHEAT BASE WAS INSUFFICIENT TO PARTICIPATE IN THE PROGRAM. SUBSEQUENTLY, THE SURPLUS FEED WHICH WAS PRODUCED ON BEET GROUND DROVE SILAGE PRICES DOWN FOR THE NON-BEET GROWER AS WELL, SO REGARDLESS OF WHETHER OR NOT A FARMER GROWS BEETS, THIS INDUSTRY DIRECTLY AFFECTS HIM. IF WE HAD NO SUGAR PROGRAM, WE WOULD HAVE NO SUGAR INDUSTRY. WITHOUT AN INDUSTRY, WE WOULD BE FORCED INTO PRODUCING PROGRAM CROPS - WE SIMPLY HAVE NO OTHER ALTERNATIVES. IF WE PRODUCED WHEAT ON THESE 30,000 IRRIGATED BEET ACRES, IT WOULD BE COMPARED TO PRODUCING 60,000 ACRES OF DRYLAND WHEAT. BUT WITHOUT A WHEAT BASE MANY OF OUR GROWERS STILL COULD NOT AFFORD TO PLANT IT.

WE ARE PROUD OF THE HIGH QUALITY CROP THAT IS PRODUCED IN MONTANA. OUR BEETS RANK AS SOME OF THE BEST IN THE COUNTRY. HOWEVER, SOMETIMES MOTHER NATURE THROWS US A CURVEBALL. WE ARE EXPERIENCING A PROBLEM THIS YEAR CALLED "CURLEY TOP", AND SOME FIELDS WILLL HAVE TO BE ABANDONED. LAST THURSDAY NIGHT A TERRIBLE HAIL STORM PASSED THROUGH THE AREA, COMPLETELY DEFOLIATING MANY BEETS. WHEN THE TOPS ARE TORN OFF THE BEETS IT TAKES SUGAR FROM THE BEET TO GROW NEW ONES. WHAT WAS A PROMISING CROP, IN MANY CASES, IS NOW A DISASTER. WHEN THESE

THINGS HAPPEN IT OUTRAGES US WHEN SELF PROCLAIMED CONSUMER GROUPS AND LARGE INDUSTRIAL SUGAR USERS TRY TO TELL THE PUBLIC THAT OUR PROGRAM GUARANTEES US A RETURN OR A PROFIT.

NOW, MR. CHAIRMAN, I WOULD LIKE TO DISCUSS HOW IMPORTANT THE SWEETENER INDUSTRY IS TO MONTANA'S ECONOMY. IN A RECENT STUDY BY LANDELL MILLS COMMODITIES, THE DIRECT AND INDIRECT ECONOMIC IMPACT ON OUR STATE IS $216 MILLION. WHILE THAT MAY NOT SEEM LIKE ALOT OF MONEY IN WASHINGTON, D.C., IT IS ESSENTIAL TO THE COMMUNITIES IN RURAL MONTANA. OVER 2,100 JOBS ARE ALSO INVOLVED IN THE PRODUCTION AND PROCESSING OF SWEETENERS IN OUR STATE. WITH THE PHASING DOWN OF THE OIL INDUSTRY, WE NOT ONLY NEED TO ATTRACT NEW INDUSTRIES IN OUR AREA, BUT WE HAD BETTER DO EVERYTHING IN OUR POWER TO KEEP WHAT WE ALREADY HAVE.

ALL YOU HAVE TO DO, MR. CHAIRMAN, IS DRIVE THROUGH MANY OF THESE SMALL TOWNS AND ASK THE MERCHANTS HOW IMPORTANT THE BEET INDUSTRY IS AND THEY CAN TELL YOU. FOR EXAMPLE, WHEN WE WERE SHUT DOWN IN 1984 MUCH OF THE MIGRANT LABOR THAT USED TO COME AND WORK IN THE FIELDS AND SPEND THEIR MONEY IN THESE TOWNS, WAS NOT THERE THAT YEAR. I CAN TELL YOU THAT IT REALLY MAKES A DIFFERENCE TO OUR MERCHANTS.

WE MUST MAINTAIN THE EFFECTIVENESS OF THE CURRENT SUGAR PROGRAM IN THE 1990 FARM BILL. I REALIZE SOME MINOR CHANGES MAY BE REQUIRED TO COMPLY WITH THE GATT, BUT WE MUST MAINTAIN CURRENT PRODUCTION WITH SOME INCREASE IN THE LOAN LEVEL OVER THE COURSE OF THE BILL. WE HAVE NOT SEEN AN INCREASE IN THE LOAN RATE SINCE 1985, AND OUR GROWERS DESERVE ONE.

WE UNDERSTAND THE BUDGET CONSTRAINTS WHICH THIS COUNTRY FACES, BUT SINCE NO TAX DOLLARS ARE SPENT ON OUR PROGRAM, THERE IS NO NEED TO LOOK TO THE SUGAR

PROGRAM FOR ANY SAVINGS. THE AGRICULTURE PORTION OF THE FEDERAL BUDGET IS SO SMALL ANYWAY, NO COMMODITY OUGHT TO HAVE TO TAKE ANY CUTS. THE AMERICAN CONSUMER IS GETTING AN EXCELLENT VALUE FOR THEIR FOOD DOLLARS.

WE ALSO BELIEVE THERE IS ALOT OF PROPAGANDA BEING PEDDLED BY OPPONENTS OF OUR PROGRAM THAT THE U.S. WILL SOON BE SELF-SUFFICIENT IN SWEETENERS, AND MAYBE EVEN BECOME EXPORTERS. I DO NOT BELIEVE THAT IS TRUE BECAUSE SOME LEVEL OF IMPORTS ARE NECESSARY TO OPERATE THE PROGRAM. I THINK WE CAN ASSURE SOME MINIMUM LEVEL OF IMPORTS.

OUR GROWERS ARE ALSO VERY CONCERNED ABOUT THE GATT NEGOTIATIONS AND THEIR IMPACT, NOT ONLY ON SUGAR, BUT OTHER COMMODITIES AS WELL. OUR CONCERN IS THAT WHEN AGRICULTURE GETS TOSSED INTO THE NEGOTIATIONS WITH MANY OTHER ISSUES, AGRICULTURE MAY WELL BE THE BARGAINING CHIP IN THE END. WE DO NOT WANT TO SEE SOME INTERNATIONAL BODY DICTATE WHAT THIS DISTINGUISHED COMMITTTEE CAN OR CANNOT DO IN THE FUTURE. WE STRONGLY URGE YOU TO KEEP A VERY CLOSE AND CONSTANT WATCH ON THESE NEGOTIATIONS AND HOPE THAT WHATEVER IS GAINED OR TRADED AWAY HAS THE AGRICULTURE COMMITTEES' BLESSING.

ALL AGRICULTURE COMMODITIES MUST BE UNIFIED IN BOTH THE 1990 FARM BILL AND THESE IMPORTANT GATT NEGOTIATIONS.

THANK YOU, MR. CHAIRMAN, FOR THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY AND ANSWER ANY QUESTIONS THE COMMITTEE MAY HAVE.

TESTIMONY OF
DONALD STEINBEISSER
President
Montana-Dakota Beet Growers Association

BEFORE THE
WHEAT, SOYBEANS AND FEED GRAINS SUBCOMMITTEE
of the
HOUSE AGRICULTURE COMMITTEE

Billings, Montana
August 30, 1989

MR. CHAIRMAN, MY NAME IS DON STEINBEISSER AND I HAVE BEEN A FARMER AND RANCHER FROM SIDNEY, MONTANA FOR THE PAST 30 YEARS. I AM PRESIDENT OF THE MONTANA-DAKOTA BEET GROWERS ASSOCIATION, WHICH CONSISTS OF OVER 230 GROWERS PRODUCING SUGAR BEETS ON OVER 36,000 ACRES. THE GROWING AREA BEGINS IN WILLISTON, NORTH DAKOTA ON THE MISSOURI RIVER, AND FOLLOWS THE YELLOWSTONE RIVER FOR 120 MILES, ENDING IN MILES CITY, MONTANA. OUR BEETS ARE PROCESSED BY THE FACTORY IN SIDNEY, WHICH IS OWNED AND OPERATED BY THE IMPERIAL HOLLY SUGAR COMPANY.

MR. CHAIRMAN, SUGAR AND CORN SWEETENERS ARE IMPORTANT INGREDIENTS IN MANY OF THE FOODS WE EAT. SWEETENERS ARE ESSENTIAL INGREDIENTS IN COOKING, BAKING, CANNING, CONFECTIONARY, DAIRY PRODUCTS AND SOFT DRINKS. SWEETENERS ALSO PLAY AN IMPORTANT ROLE IN LESSER KNOWN USES LIKE MEDICINES, PHARMACEUTICALS AND MEAT CURING. IN FACT, 86% OF THE SWEETENER WE CONSUME IS ADDED BY FOOD MANUFACTURERS. MANY OF THE FOODS WE ENJOY TODAY MIGHT NOT EXIST IF IT WERE NOT FOR SWEETENERS.

U.S. CONSUMERS AND SUGAR PRODUCERS FACE A SERIOUS PROBLEM-- THE PROBLEM OF VICIOUS PRICE SWINGS IN THE WORLD SUGAR MARKET. FOR EXAMPLE, WORLD SUGAR PRICES RANGED FROM AS LOW AS 2.7¢ PER POUND TO AS HIGH AS 41.1¢ PER POUND DURING THE 1980'S. RAPIDLY RISING SUGAR PRICES GIVE FOOD MANUFACTURERS AN EXCUSE TO

RAISE THE PRICE OF SWEETENED PRODUCTS. HOWEVER, WHEN SUGAR PRICES PLUNGE, THE PRICE OF THOSE SUGAR-CONTAINING PRODUCTS REMAINS THE SAME. THE CONSUMER IS STUCK PAYING THE HIGHER PRICE WHILE THE FOOD PROCESSOR, WHOLESALER AND RETAILER INCREASE THEIR PROFIT MARGINS. WHEN WORLD PRICES PLUNGE, THEY FALL BELOW THE COST OF PRODUCTION IN MOST, IF NOT ALL, PRODUCING COUNTRIES. INDUSTRIES NOT INSULATED FROM THIS MARKET BY THEIR GOVERNMENTS ARE DEVASTATED. SINCE THE MID-1970'S WE HAVE BEEN EXPOSED TO THE WORLD MARKET FOR TWO SHORT PERIODS AND HAVE SEEN OVER 20 SUGARBEET FACTORIES IN THE U.S. CLOSE THEIR DOORS, DUE PRIMARILY TO THIS INSTABILITY.

THE PRIMARY CAUSE OF THE VIOLENT WORLD MARKET PRICE SWINGS IS THAT EXPORTING COUNTRIES DUMP SURPLUS "HOMELESS" SUGAR ON THE WORLD MARKET AFTER THEIR DOMESTIC NEEDS ARE MET AND BILATERAL CONTRACTS HAVE BEEN FILLED. THIS IS POSSIBLE BECAUSE ALL MAJOR SUGAR PRODUCING COUNTRIES HAVE SOME SORT OF PRICE SUPPORT AND/OR PROTECTION FOR THEIR INDUSTRIES. ATTACHMENT NO. 1 IS A LIST OF COUNTRIES WHICH PRODUCE ABOUT 80 PERCENT OF THE SUGAR IN THE WORLD, AND THE TYPES OF SUBSIDIES AND PROTECTIONS THEY USE. THIS CHART CLEARLY SHOWS HOW FAR OFF THE WORLD IS FROM FREE TRADE IN SUGAR. THESE SUGAR PROTECTIONS AND SUBSIDIES AROUND THE WORLD ARE USED TO INSULATE CONSUMERS AND PRODUCERS FROM THE WORLD MARKET AND TO ASSURE THEIR CONSUMERS A RELIABLE SUPPLY AT A STABLE PRICE.

OUR INDUSTRY IS OFTEN ACCUSED OF NEEDING A PROGRAM BECAUSE WE ARE INEFFICIENT AND A SMALL AND INSIGNIFICANT PART OF U.S. AGRICULTURE. NEITHER OF THOSE ACCUSATIONS COULD BE FURTHER FROM THE TRUTH, AND I WISH TO ADDRESS THEM.

THE U.S. SWEETENER INDUSTRY IS EFFICIENT. THE ECONOMIC RESEARCH SERVICE OF U.S.D.A., IN CONJUNCTION WITH LANDELL MILLS COMMODITIES, RECENTLY PUBLISHED A SUMMARY OF A WORLD SUGAR AND HIGH FRUCTOSE CORN SYRUP (HFCS) COST OF PRODUCTION SURVEY. THE RESULTS OF THE SURVEY SHOW THAT OF THE 12 MAJOR HFCS-PRODUCING

COUNTRIES IN THE WORLD, THE U.S. WAS THE LOWEST-COST PRODUCER. OF THE 31 BEET SUGAR-PRODUCING REGIONS AROUND THE WORLD, THE U.S. RANKED 7TH MOST EFFICIENT. FINALLY, OF THE 61 RAW CANE SUGAR-PRODUCING COUNTRIES, THE U.S. RANKED 33RD. IF ALL COUNTRIES ELIMINATED THEIR SUBSIDIZATION AND PROTECTION OF THEIR SUGAR INDUSTRIES, THE U.S. WOULD NOT NEED A SUGAR PROGRAM AND OUR INDUSTRY WOULD FARE VERY WELL. WE HAVE A COMPARATIVE ADVANTAGE OVER MANY FOREIGN PRODUCERS IN SPITE OF ADDITIONAL COSTS. OUR GOVERNMENT AT THE FEDERAL AND STATE LEVELS HAS IMPOSED VARIOUS SOCIAL, SAFETY AND ENVIRONMENTAL COSTS, WHICH PRODUCERS IN MANY OTHER COUNTRIES ARE NOT SUBJECT TO. ONE OF THE BIGGEST COST DIFFERENCES WE HAVE WITH FOREIGN PRODUCERS IS LABOR COSTS. IN THIS COUNTRY WE BELIEVE, AND RIGHTFULLY SO, THAT PEOPLE WHO WORK IN OUR FIELDS AND FACTORIES OUGHT TO RECEIVE A DECENT AND RESPECTABLE WAGE FOR THE WORK THAT THEY PERFORM. MANY FOREIGN COUNTRIES PAY SLAVE WAGES TO THEIR WORKERS. IN SUMMARY, MR. CHAIRMAN, WE ARE AN EFFICIENT INDUSTRY.

THE U.S. SWEETENER INDUSTRY IS NEITHER SMALL NOR INSIGNIFICANT. THERE ARE 104 BEET, CANE (MILLS AND REFINERIES) AND CORN REFINERIES IN 26 STATES SUPPLYING OUR SWEETENER NEEDS. OVER ONE MILLION BEET, CANE AND CORN FARMERS BENEFIT FROM THIS INDUSTRY. A COMPREHENSIVE STUDY OF THE SWEETENER INDUSTRY BY LANDELL MILLS WAS RELEASED EARLIER THIS MONTH. THE CONCLUSION FROM THE STUDY WAS THAT OVER 361,000 PEOPLE ARE DIRECTLY OR INDIRECTLY EMPLOYED IN THE SWEETENER INDUSTRY, AND THE DIRECT AND INDIRECT ECONOMIC IMPACT COMES TO APPROXIMATELY $18.5 BILLION PER YEAR. AT LEAST 42 STATES ARE INVOLVED IN SUPPLYING RAW MATERIALS, GOODS AND SERVICES TO PRODUCE SWEETENER.

MR. CHAIRMAN, THE SUGAR PROGRAM HAS WORKED WELL, THE SUGAR PROVISIONS IN THE 1985 FARM BILL WERE A SIMPLE REFINEMENT OF THE 1981 BILL. THE OBJECTIVES OF THE 1985 BILL ARE AS FOLLOWS.

THE FIRST AND MOST IMPORTANT OBJECTIVE IS TO AVOID SHORTAGES OF THIS IMPORTANT COMMODITY. SINCE THE U.S. IS NOT SELF-SUFFICIENT IN SUGAR, IMPORTING OVER ONE MILLION TONS PER YEAR, WE MUST AVOID SHORTAGES. UNLIKE CHINA OR THE SOVIET UNION, WHERE SUGAR IS RATIONED, WE NEED TO ASSURE THAT SUPPLIES ARE AVAILABLE FOR OUR CUSTOMERS. THERE HAVE BEEN NO SHORTAGES, EVEN WHEN OUR GROWING AREA EXPERIENCED THE DEVESTATING DROUGHT IN 1988. ON THE BASIS OF SUPPLY, THE PROGRAM HAS BEEN SUCCESSFUL.

THE SECOND OBJECTIVE IS TO STABILIZE THE PRICE AT A FAIR AND REASONABLE LEVEL FOR CONSUMERS. U.S. CONSUMERS PAY THE AVERAGE PRICE FOR SUGAR COMPARED TO CONSUMERS THROUGHOUT THE WORLD. FOR EXAMPLE, THE SUGAR PRICES IN MAJOR WORLD CAPITALS ARE: TOKYO 89¢; PARIS 53¢; LONDON 45¢; U.S. 39¢; CANBERRA 30¢; BRASILIA 21¢. COMPARING U.S. CONSUMERS" AND FOREIGN CONSUMERS' INCOME AND THE PRICE THEY PAY FOR SUGAR, YOU WILL FIND THAT THE U.S. CONSUMERS PURCHASE PRICE FOR SUGAR IS THE BEST VALUE IN THE WORLD. IN A MAY, 1988 SURVEY OF 1,500 ADULT AMERICANS CONDUCTED BY CAMBRIDGE REPORTS, INC., 80% BELIEVE THE PRICE OF SUGAR IS FAIR COMPARED WITH OTHER FOOD ITEMS. ON THE BASIS OF FAIR AND STABLE CONSUMER PRICES, THE PROGRAM HAS BEEN A SUCCESS.

THE THIRD OBJECTIVE IS TO STABILIZE PRICES FOR PRODUCERS. THE PROGRAM PROVIDES FOR AN ORDERLY MARKETING SYSTEM, ALLOWING SUGAR TO BE SOLD THROUGH THE YEAR. THE SUGAR INDUSTRY NEEDS MORE STABILITY THAN MANY OTHER CROPS BECAUSE SUGARBEETS AND SUGARCANE ARE HIGH-COST AND HIGH-VALUE CROPS REQUIRING A LARGE INVESTMENT IN SPECIALIZED MACHINERY. GROWERS AND PROCESSORS DEPEND ON ONE ANOTHER, AND IF EITHER FALTERS, WE ARE OUT OF BUSINESS. FINALLY, WHEN CANE GROWERS PLANT THEIR CROP, THEY HAVE MADE A TWO-TO-FIVE YEAR COMMITMENT BECAUSE CANE IS A PERENNIAL CROP. THE PROGRAM HAS BEEN SUCCESSFUL IN STABILIZING PRICES FOR PRODUCERS AND PROCESSORS.

THE FOURTH OBJECTIVE IS TO ENCOURAGE EFFICIENT PRODUCTION. THE LEGAL MINIMUM LOAN RATE SET AT 18¢ PER POUND HAS REMAINED UNCHANGED SINCE 1985. AS INFLATION INCREASES, PRODUCER COSTS INCREASE AND WE HAVE TO CONTINUE TO INCREASE OUR EFFICIENCY. SEVEN BEET SUGAR FACTORIES AND SIX CANE MILLS HAVE CLOSED SINCE THE PROGRAM BEGAN IN 1981. WE HAVE WORKED HARD ON THE FARM AND IN THE FACTORIES TO REDUCE OUR COSTS, BUT IT IS AWFULLY DIFFICULT WHEN OUR INPUT COSTS ARE BEING PUSHED UP BY INFLATION. YOU CAN CERTAINLY CONCLUDE THAT THE PROGRAM HAS FORCED GREATER EFFICIENCY.

THE FIFTH OBJECTIVE IS TO AVOID GOVERNMENT OUTLAYS. WITH THE BUDGET DEFICIT LOOMING OVER ALL GOVERNMENT PROGRAMS, WE BELIEVED THAT ADDING THE "NO COST" PROVISIONS TO THE SUGAR PROVISIONS WOULD ELIMINATE EXPOSURE TO THE TAXPAYER AND MAKE SURE THE ADMINISTRATION CORRECTLY OPERATED THE PROGRAM. ONCE AGAIN THE PROGRAM HAS BEEN SUCCESSFUL IF NOT SPENDING TAXPAYER DOLLARS.

THE RECENT CHALLENGE TO OUR PROGRAM BROUGHT BY AUSTRALIA WITHIN THE DISPUTE SETTLEMENT PROCESS OF THE GENERAL AGREEMENT ON TARIFF AND TRADE (GATT) HAS NOW FORCED US TO LOOK AT SOME MODIFICATIONS OF OUR PROGRAM. WHAT THOSE OPTIONS MAY BE ARE STILL UNDER REVIEW BY PUBLIC AND PRIVATE LAWYERS: HOWEVER, THIS ISSUE BRINGS ME TO POINT ON THE GATT NEGOTIATIONS, WHICH I WOULD LIKE TO ADDRESS.

GROWERS IN OUR AREA ARE VERY SKEPTICAL OF THE WHOLE GATT NEGOTIATING PROCESS. WHILE WE HAVE A COMMITMENT FROM THE PRESIDENT AND PLEDGES BY SECRETARY YEUTTER AND AMBASSADOR HILLS NOT TO UNILATERALLY NEGOTIATE AWAY SUGAR, THEY SEEM TO LET THE DISPUTE SETTLEMENT PROCESS WORK ITS WILL AGAINST THE PROGRAM. IN 1987, OUR INDUSTRY ASKED THE U.S. TRADE REPRESENTATIVE (CLAYTON YEUTTER) TO INITIATE A SECTION 301 CHALLENGE AGAINST THE EUROPEAN COMMUNITY'S SUGAR REGIME. THE RESPONSE WAS "NO", THAT WE SHOULD TAKE UP AND RESOLVE OUR TRADE DIFFERENCES

IN THE URUGUAY ROUND OF NEGOTIATIONS. SINCE THAT TIME, OUR PROGRAM HAS BEEN SUCCESSFULLY CHALLENGED BY AUSTRALIA. NOW OUR TRADE REPRESENTATIVE HAS ACCEPTED ANOTHER CHALLENGE ON QUOTAS OF SUGAR-CONTAINING PRODUCTS UNDER SECTION 22 BY NONE OTHER THAN THE EUROPEAN COMMUNITY! I BELIEVE THEY HAVE FOUND A WAY THROUGH THE GATT DISPUTE PROCESS TO ISOLATE CONGRESS AND THE AFFECTED INDUSTRY AND ALLOW INTERNATIONAL PRESSURE TO COME BEAR ON OUR PROGRAM. THEIR ACTIONS CERTAINLY SPEAK LOUDER THAN THEIR WORDS.

IF THE ADMINSTRATION'S PAST PERFORMANCE IS ANY INDICATION OF FUTURE PERFORMANCE IN NEGOTIATIONS, THEN OUR GROWERS ARE FOREVER SKEPTICAL ABOUT GATT. ALL YOU HAVE TO DO IS TO ASK HOW THE DURUM WHEAT INDUSTRY IS FARING UNDER THE CANADIAN FREE TRADE AGREEMENT, AND AGRICULTURE OUGHT NOT BE ABLE TO SLEEP NIGHTS UNTIL THE GATT NEGOTIATIONS ARE OVER.

ON BEHALF OF OUR GROWERS, I ASK YOUR COMMITTEE TO KEEP A VIGILANT EYE ON THE GATT. THANK YOU, MR. CHAIRMAN, FOR THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY.

(Attachment follows:)

ATTACHMENT NUMBER 1

ALL MAJOR SUGAR PRODUCERS PROTECT THEIR DOMESTIC INDUSTRIES

	Subsidized Domestic Sale	Import Control	Production Quota	Land Quota	Direct Aid	Export Loss Absorption	Domestic Price Control	Minimum Price to Farmers	Consumption Control	Processing & Distr. by Govt.	Export Control	Regional Subsidies & Taxes	HFCS Quotas	Export Subsidy	Indirect Aid
Argentina		*	*					*	*				*		
Australia		*	*	*	*		*		*	*					
Brazil			*			*	*		*		*	*			
China, P.R.							*	*							
Columbia	*	*													
Cuba							*								
Dominican Republic		*					*								
France		*	*				*	*			*		*	*	
W. Germany		*	*				*	*			*		*	*	
India			*				*	*	*						
Indonesia		*	*				*								
Italy		*	*		*		*	*			*		*	*	
Mexico		*					*	*			*				
Pakistan		*					*	*							
Philippines		*	*												
Poland		*			*		*	*			*			*	
S. Africa		*	*												
Spain		*	*				*	*			*		*	*	
Thailand		*	*				*								
Turkey		*			*			*			*				*
U.K.		*	*				*	*			*		*	*	
U.S.		*					*								
USSR			*					*		*					

TESTIMONY OF: Calvin K. Jones, Vice President - Agriculture
Holly Sugar Corporation
P.O. Box 1052
Colorado Springs, CO 80901

TO: The Wheat, Soybeans, and Feed Grains Subcommittee
House Committee on Agriculture
U.S. House of Representatives - Field Hearing
Billings, Montana

DATE: August 30, 1989

Mr. Chairman my name is Calvin Jones and I am the Vice President of Agriculture of Holly Sugar Corporation which operates a beet sugar factory in eastern Montana at Sidney.

It is my intention, in the interest of brevity, to summarize my written remarks. I do, however, request the full text of my testimony be made a part of the written record of this hearing.

We are keenly aware and appreciative of the fact that members of this Subcommittee are taking time from their congressional district work period to hold these hearings thus reducing time spent in their own districts. This is a direct indication of their dedication to the task of writing comprehensive and responsive farm legislation in 1990.

I am also aware that, while this is the Wheat, Soybeans, and Feed Grains Subcommittee, you have welcomed me as a witness to discuss the sugar program, a totally different aspect of farm legislation, but nevertheless an integral part of the overall package of commodity programs that must be considered by the Agriculture Committee.

As the number of people who produce our nation's food and fibre continues to lessen, we must recognize the importance of banding together into a coalition of agricultural interests in order that our voices will be heard. Sugarbeet growers and beet sugar processors have been part of this coalition and plan to continue to work with other commodity producers.

Montana sugarbeet growers planted over 61 thousand acres of sugarbeets for processing in Billings and Sidney. Without a domestic sugar program these acres would undoubtedly be planted to drybeans, feedgrains or hay crops. These commodities are already in surplus; additional acreage would have a devastating effect on already low prices. Nearly 13,000 acreas of North Dakota sugarbeets are processed in Eastern Montana furthering the economy of this area.

There is, however, a unique difference between beet sugar and other commodities; this difference being, the participating contract. Unlike a wheat grower or feed grains producer who sell their crops at the local elevator, the sugarbeet grower actually shares in the selling price of sugar throughout the marketing year.

Wheat and feed grain markets are often determined by speculators, traders, or grain dealers at some faraway market exchange. Sugar is sold by the processors into markets that net back proceeds shared with sugarbeet growers who produced the product.

We often hear from critics, "The sugar program is a consumer rip-off". The facts are (1) The retail price of sugar in the U.S. since the sugar program was initially enacted in late 1981, has averaged below what it averaged in the three years prior to the enactment. (See attached) (2) The retail price of sugar in Washington, D.C. is, according to the U.S. Department of

Agriculture's, Foreign Agricultural Service, currently below the average price paid in 15 other major world capitals. (See attachment)

Critics say, "The sugar program has stimulated an expansion of domestic production and provided an umbrella under which the production of corn based sweeteners has been able to expand dramatically". The facts are (1) While it's true beet sugar production has been generally on the increase, it has never reached the level of 1975. (when there were 56 beet sugar factories in operation, compared to 36 today) (2) In four of the seven years the program has been in operation, beet sugar output has been below the level of the previous year. (3) With regard to corn based sweeteners, once researchers found a way to commercially extract fructose from corn (in the late 70's) expansion of HFCS distribution was inevitable since its production costs were lower than sucrose anywhere in the world. Because of the sugar program, this expansion has come at the expense of imports, not domestic producers, and HFCS production currently utilizes 535 billion bushels of corn per year (20% of the corn sold commercially) with the addition of $.25 per bushel to the price growers receive. That's a good deal for American farmers. Insofar as the "umbrella" concept is concerned, USDA figures show HFCS-55 was discounted to sugar prices last year from 11.5% to over 37%, a clear indication there's a competitive market for producers and sellers, as in sugar, with no constant correlation between sugar and HFCS pricing. (See attached)

The claim, "The sugar program costs consumers $3 billion per year and benefits only a relatively handful of producers", has also been used by critics of the current sugar program. The facts again are: The $3 billion claim is an untruth and anyone claiming otherwise should be challenged to produce the facts and figures to back up this claim. Recently, a study completed by the London Commodities Studies firm of Landell-Mills concluded (Quote) " . . . the direct and indirect impact of the sweetener sector upon the revenues of the U.S. industry is $18.459 billion, while the sector's direct and indirect generation of employment is 361,000 full-time jobs." (end quote)

We are not prepared this day, to make a specific recommendation or proposal for adoption of a sugar program in the 1990 Farm Bill. We recognize there are numerous areas of discovery which must be faced in the development of the program. We believe the present program has worked well at no cost to taxpayers. We, at Holly, support the concept of maintaining an import quota and suggest some means of market control over our entire domestic sweetener industry.

We must recognize the dynamics of the Montana sugar industry with our beet sugar factory employing approximately 400 workers during campaign and 140 people on a year round basis. Our annual payroll approaches $4,000,000, while state, federal, and local taxes total approximately $850,000. You can see the impact of the sugarbeet industry to eastern Montana and the entire state.

In summary I would like to expound briefly on another area which benefits from the sugar industry in Montana, specifically, our operations at Sidney. There are over 20 states and at least 2 foreign countries that produce the variables which go into the growing and processing of beet sugar in Montana.
Mr. Chairman, your home state of Kansas is no exception as we purchase several supplies and parts from venders there to help in the production needs of making this sugar here.

Once again, I thank you for your keen interest in hearing from the beet sugar industry and the time you have afforded us during these hearings.

(Attachments follow:)

Table 10-- U.S. Sugarbeets: Area, production, and yield

Crop year	Sugarbeets					Refined beet sugar, raw value			
	Area		Production	Yield per acre		Raw value basis			Production actual weight
	Planted	Harvested		Planted	Harvested	Production	Recovered 1/	Yield per harvested acre	
	1,000 acres		1,000 short tons	Short tons		1,000 short tons	Percent	Short tons	1,000 short tons
1970	1,478	1,413	26,378	17.8	18.7	3,401	12.90	2.40	3,179
1971	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1972	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1973	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1974	1,252	1,313	22,123	17.7	[illegible]	2,916	13.18	2.60	[illegible]
1975	1,505	1,517	29,704	18.4	[illegible]	4,010	[illegible]	[illegible]	[illegible]
1976	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1977	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1978	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1979	1,161	1,120	21,996	18.9	19.4	2,870	[illegible]	2.57	[illegible]
1980	1,231	1,190	23,502	19.1	19.4	3,140	13.40	2.65	[illegible]
1981	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1982	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1983	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1984	1,124	1,096	22,134	19.7	20.2	2,965	[illegible]	2.63	[illegible]
1985	1,125	1,103	22,529	20.0	20.4	3,000	13.32	2.73	[illegible]
1986	[illegible]	[illegible]	[illegible]	[illegible]	21.1	[illegible]	[illegible]	[illegible]	[illegible]
1987	[illegible]	[illegible]	[illegible]	[illegible]	21.4	[illegible]	[illegible]	[illegible]	[illegible]
1988	1,337	1,301	24,816	18.7	19.1	3,312	14.16	2.70	[illegible]

1/ Raw sugar production as percent of sugarbeet production.

Source: Crop Production, NASS, USDA.

Table 11--U.S. Sugarbeets: Number of factories, slicing capacity, beets received, beets sliced, sugar production, and extraction rate

Crop year	Factories operating 1/	Daily slicing capacity		Beets received	Beets sliced		Refined sugar production				Sugar extracted (percent of sugar in beets sliced)
		Total	Average per factory 2/		Total	Average per factory 2/	Actual weight		Raw value basis		
							Total	Per ton of beets sliced	Total	Per ton of beets sliced	
	Number	1,000 tons	Tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons	Pounds	1,000 tons	Pounds	Percent
1970	58	193	3,385	25,320	25,302	445	3,179	250	3,401	268	82.44
1971	[illegible]	187	3,448	26,847	26,677	496	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1972	[illegible]	185	3,496	28,446	28,176	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1973	[illegible]	[illegible]	3,517	24,369	24,514	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1974	[illegible]	[illegible]	3,723	22,123	22,197	411	[illegible]	[illegible]	2,916	[illegible]	[illegible]
1975	[illegible]	[illegible]	3,704	29,704	29,616	[illegible]	[illegible]	[illegible]	4,010	[illegible]	[illegible]
1976	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1977	51	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1978	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1979	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1980	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	543	[illegible]	[illegible]	3,140	[illegible]	[illegible]
1981	[illegible]	[illegible]	4,033	[illegible]	[illegible]	617	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1982	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	541	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1983	41	[illegible]	4,037	[illegible]	[illegible]	501	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1984	41	[illegible]	4,037	[illegible]	[illegible]	527	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1985	[illegible]	[illegible]	4,088	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1986	[illegible]	[illegible]	4,611	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1987	[illegible]	169	4,667	28,069	27,401	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1988 3/	36	169	4,694	24,716	24,313	431	[illegible]	290	3,312	313	NA

NA = Not available.
1/ Data for 1970-76 include one factory that produced sugar from molasses, but not directly from sugarbeets.
2/ Calculation for 1970-76 excludes molasses plant.
3/ Preliminary data.

Sources: ASCS 1970-1975; ERS and NASS since 1975.

World Retail Sugar Prices

Tokyo	89¢	**Washington, D.C.**	**39¢**
Stockholm	55¢	Seoul	37¢
Paris	53¢	Canberra	30¢
Bonn	52¢	Pretoria	25¢
Madrid	50¢	Brasilia	21¢
Rome	49¢	Ottawa	17¢
Buenos Aires	49¢	Mexico City	16¢
London	45¢		
Bern	44¢	**Average**	**42¢**

Source: USDA/FAS
"World Production and Trade," June 9, 1988.

U.S. Average Refined Sugar Retail Prices

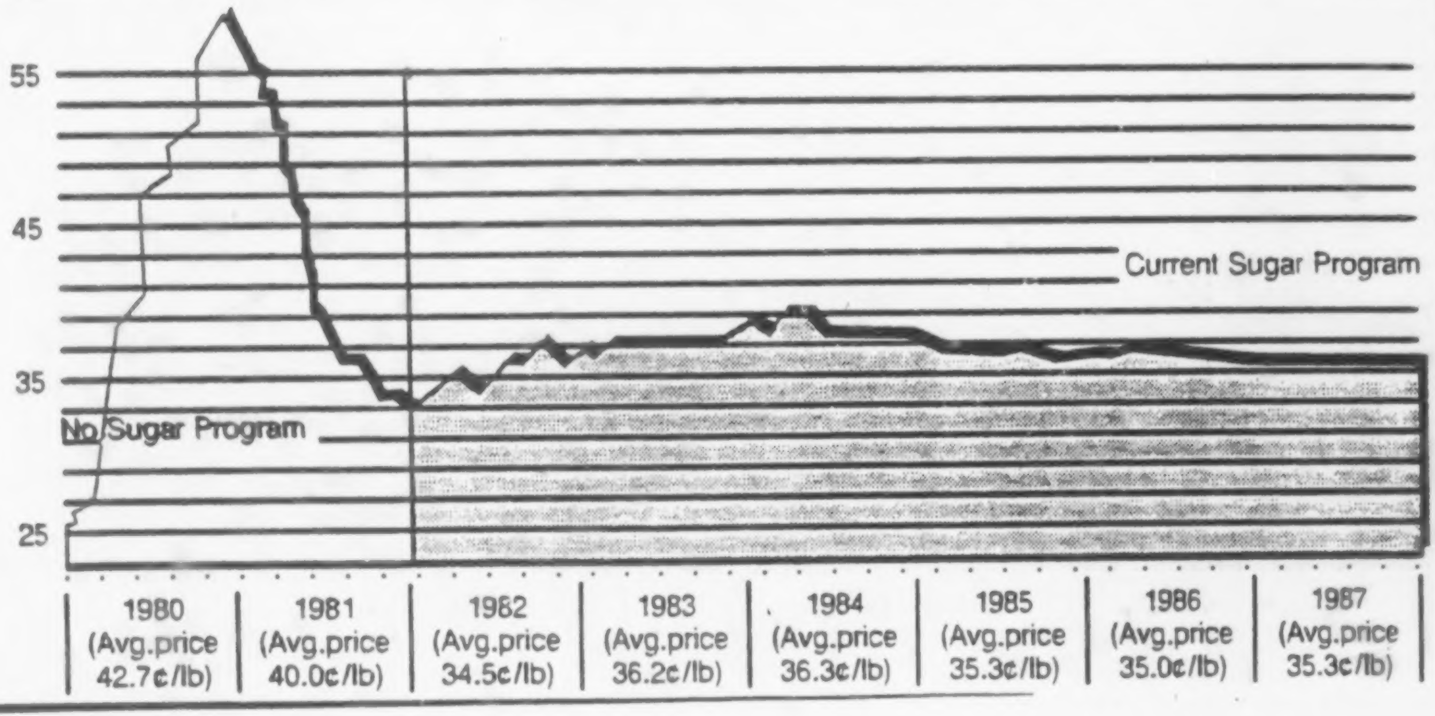


Table 37--HFCS prices and their discount to sugar, Midwest market

Period	HFCS-42	HFCS-55	Refined beet sugar 1/	Price discount to sugar: HFCS-42	Price discount to sugar: HFCS-55
	Cents per pound dry basis			Percent	
1980	23.64	NA	38.29	38.3	NA
1981	21.47	23.59	28.26	24.0	16.5
1982	14.30	18.81	27.62	48.2	31.9
1983	18.64	21.60	26.10	28.6	17.2
1984	19.94	22.70	25.66	22.3	11.5
1985	17.75	20.03	23.18	23.4	13.6
1986	18.07	19.96	23.42	22.8	14.8
1987	16.50	17.46	23.60	30.1	26.0
1988	16.47	18.68	25.49	35.4	26.7
1988					
Jan.	11.06	14.25	23.25	52.4	38.7
Feb.	11.06	14.25	22.75	51.4	37.4
Mar.	11.90	14.69	22.75	47.7	35.4
Apr.	15.80	17.00	23.45	32.6	27.5
May	16.01	17.51	24.19	33.8	27.6
June	17.10	19.00	22.25	23.4	14.6
July	21.61	24.00	27.10	20.3	11.4
Aug.	21.61	24.00	27.75	22.1	13.5
Sept.	20.70	23.00	27.50	24.7	16.4
Oct.	17.10	19.00	27.25	37.2	30.3
Nov.	17.10	19.00	26.75	36.0	28.9
Dec.	16.56	18.41	27.80	40.4	33.8
1989					
Jan.	16.20	18.00	28.75	43.7	37.4
Feb.	16.20	18.00	29.00	44.1	37.9
Mar.	17.28	19.50	29.50	41.4	33.9
Apr.	19.58	21.75	29.50	33.6	26.3

NA = Not available.

Note: HFCS is sold on a delivered basis, refined beet sugar is sold f.o.b. HFCS and refined beet sugar both midwest market prices.

Sources: Milling & Baking News and John Crowe and Company.

STATEMENT OF DONALD BERNHARDT, AGRICULTURE MANAGER, THE WESTERN SUGAR COMPANY, BILLINGS, MONTANA RELATING TO THE UNITED STATES SUGAR INDUSTRY AND THE UNITED STATES SUGAR PROGRAM.

Mr. Chairman and Members of the Committee: My name is Donald Bernhardt, Agriculture Manager of The Western Sugar Company, Billings, Montana. The Western Sugar Company owns and operates seven beet sugar refineries in the States of Nebraska, Colorado, Wyoming, and Montana.

I want to thank you for the opportunity to appear before your Committee and especially for bringing the Hearings to the local areas where the commodities are produced and the livelihoods of so many are directly affected by agriculture and the processing of agricultural products.

Your presence here today also reinforces the belief of Montanans; that Legislation which as such a significant impact on the State of Montana is written and implemented by elected officials of the United States, and not some bureaucrat in Brussels who has little or no interest in the American Agricultural Community.

The domestic sugar program probably has a greater impact on Montana than the other sugar producing states in America. Due to our climate and our relatively short growing season, Montana does not have the option of a number of alternative crops that some of the other beet producing areas enjoy.

In our beet producing area, Western Sugar contracts for approximately 30,000 acres of sugarbeets with 263 growers. About two-thirds of these growers rotate their beet crop with malting barley, the other major crop for the irrigating producers. The balance of our irrigated cropland goes into feed grains, corn primarily for silage, some beans, and alfalfa. However, it is the beets and malting barley which provide the stability as cash crops for the producers. This is especially significant of the beets due to their ability to sustain the ravages of nature.

Sugarbeets have a significant impact in the State of Montana. Not only do we produce one of the few value added products produced in Montana; we also expend considerable dollars into the local communities where the beets are produced and here, in Billings, where the crop is processed.

In addition, we are helping reduce the trade deficit. While local feeders and ranchers purchase a considerable portion of our byproducts--beet pulp pellets and molasses--we also export approximately 70% of our pulp pellets to countries such as Japan, Germany, and Ireland.

Since acquiring the Billings Plant in April of 1985, we have reinvested approximately four million dollars in the plant. We also have input into the community significant dollars on an annual basis through such items as:

Payroll	$ 4,453,134
Unemployment	92,081
Workers Comp	586,530
Purchases	12,237,759
Beet Payments	19,940,995
Property Taxes	386,215
	$37,696,714

I would also like to point out that considerable amounts of our supplies, fuel, and equipment are produced from outside the State of Montana. This sugarbeet industry has a significant impact throughout the United States, not just within the beet producing area.

Although sugar is a small part of the Farm Bill, it has, as always, drawn considerable attention--mainly due to the efforts of the large, very profitable sweetener users. The 1985 Farm Bill has achieved everything it was expected to do--a program that cost the Treasury nothing, and a stable, cost effective supply of product to the American consumer.

When the 1990 Farm Bill is under consideration, we ask your support of a sugar provision at or above present levels.

I thank you for the opportunity to appear before your Committee, and will be happy to answer any questions you may have.

Joe Dwyer
Billings, Montana

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to be able to testify here today. As President of the INTER-STATE COUNCIL OF TEAMSTER SUGAR WORKERS, I am here to represent the members of the International Brotherhood of Teamsters Sugar Worker Local Unions.

I would like to talk a little on what the existing sugar policy and legislation means to our members.

STABILITY

Sugar policy and legislation eases the erratic highs and lows seen in the industry during the middle 1970's and early 1980's. In this time period we saw Teamster sugar locals in the states of Montana, Wyoming, Kansas, Nebraska and Colorado go from 16 locals in 1972 to 5 locals in 1985. This resulted in the loss of over 2,000 full time and seasonal jobs. These numbers do not reflect the amount of farmers who were forced out of the sugar beet industry, nor does it reflect the financial impact on the communities where the sugar mills once operated.

Late in 1985 and early 1985 the sugar industry in the Rocky Mountain area came crashing down with the fall of The Great Western Sugar Company. Thousands of skilled sugar workers and farmers were left without jobs or livelihoods. The Union contended then as now that the prominent reason for the downfall of Great Western was due to the import of cheap foreign sugar. The union filed a petition with the U.S. Department of Labor for Trade Adjustment Assistance for our members who lost jobs.

The Labor Department denied our claims, but we fought on and took our case to the United States Courts of International Trade, who after reviewing the case, returned it to the Labor Department for re-determination of our claim.

Once again the Labor Department has denied our petition, but we will fight on!

One of the biggest fears we had back then was that sugar companies are not just shut down and let set for a period of time and restarted. Farmers cannot sit on expensive beet machinery in hopes that they can use it again. Skilled sugar workers must find other work to feed their families, many times moving away from the towns where the mills are located.

Trying to replace skilled sugar people who have moved on could be an almost impossible task whereas it takes five to ten years to reach the expertise of a Sugar Technician. Without farmers, farm equipment or skilled workers reopening any sugar plant would be extremely difficult, to say the least.

Since 1985 things have gotten somewhat better. Tate and Lyle formed Western Sugar out of the old Great Western and some of our members are back to work. Western is committed to the sugar industry and is becoming a respected producer. Western, like the entire sugar industry, deserves a chance - a FAIR chance, to survive.

Gentlemen, the currest sugar program allows the U.S. sugar industry to compete fairly with highly subsidized foreign sugars. It provides jobs for at least 100,000 hard working Americans. Lets not loose anymore American industries - lets continue or improve the SUGAR PROGRAM.

STATEMENT OF
Pamela Langley
on behalf of the
Montana Agricultural Business Association
August 30, 1989

Mr. Chairman, members of the committee, the Montana Agricultural Business Association appreciates the opportunity to express its views on issues related to the formulation of the 1990 farm bill.

The Montana Agricultural Business Association is a voluntary, non-profit association whose 230 members are cooperatives, elevators, seed and feed retail stores, commercial pesticide and fertilizer applicators, farmer applicators, and chemical and fertilizer distributors and manufacturers.

We think three points must be considered as the 1990 farm bill is written:

1. In developing the bill, Congress must consider the impact of the legislation on the entire agricultural community, not just the farmer who places his land in a conservation reserve program. Rural Montana mainstreet businesses have suffered with the CRP program. Farmers who put their land in CRP do not buy gasoline and diesel to run their tractors and combines, they do not buy fertilizer and chemicals because they have no crop, they do not buy tires nor need repairs on their equipment, they do not bring grain to elevators to be sold or stored. In general, in Montana they pay off their loans to the banks but spend little else in the rural communities.

The net result is that these increased set aside acres are a disaster for rural America -- forcing a downsiding of the agriculture base and the infrastructure that supports Montana farmers. While our association has not been opposed to CRP, we are concerned about the amount. In our rural state, it is not unrealistic to expect that farmers will be traveling 100 miles and more for basic input items and everyday living necessities simply because when rural business loses one fourth of its market base, staying in business becomes difficult. In addition, while Congress is reducing market base for our members, EPA and OSHA are adding more and more costly and time-consuming regulations.

We recognize, however, that there are currently approximately 31 million acres signed up in the CRP and that the goal is 45 million in 1990. We would urge Congress to broaden the land eligibility criteria for inclusion in the CRP in the new farm bill. Wetlands, sinkholes and lands utilized in conservation practices such as filter strips, windbreaks, shelter belts and wildlife habitats should be available to bid into the CRP. It only makes good sense to remove from production those lands that add to conservation practices and lands that cannot be farmed without potential environmental harm. The eligibility of sensitive environmental land will be needed to reach the stated goal of 45 million acres for the CRP.

In addition, because of increased exports and the drought of 1988, U.S. commodity supply levels are in a much better balance. The U.S. does not have record commodity surpluses that had such a major influence in developing programs in the 1985 farm bill. Thus, the 1990 farm bill should minimize acreage reduction programs.

2. The 1990 farm bill should provide farmers more planting and farm management flexibility. "Triple base" and a return to a form of Normal Cropland Acreage (NCA) are two concepts that have emerged under the flexibility banner. The 1985 farm programs did make wheat, barley, corn and cotton production more attractive at the expense of oats and soybeans. Farmers have continued to plant crops to protect their program base to ensure eligibility for future crops. A small step for flexibility was taken in 1989 when farmers were given the opportunity to plant 10 to 25 percent of their base acreage to soybeans or sunflowers and still maintain their feedgrain, wheat or cotton base.

The 1990 farm bill should greatly increase farmers flexibility respond to price and market requirements. With greater flexibility farmers can make management decisions and adopt crop rotations systems that are best suited for their farm operation. The conservation and agronomic benefits to crop rotation are well known. Thus, farmers need the planting flexibility to improve the production systems on their farms.

3. Education and development of best management practices along with appropriate regulation are needed to protect our groundwater. One of the biggest challenge facing agriculture today is responding to groundwater contamination by agricultural activities. The 1990 farm bill is seen by many as the place where agriculture must take the initiative in dealing with the problem to preclude further regulation of crop production activities by EPA.

Our association believes that through research, increased farmer education, public information, adoption of agronomic best management practices and regulation when appropriate, our groundwater can be protected.

We drafted the "Montana Agricultural Chemical Groundwater Protection Act" which was passed by the 1989 Montana Legislature. We have provided the committee a copy today. This legislation was supported by the farm community--the Montana Grain Growers, the Montana Farm Bureau and the Montana Farmers Union as well as the Montana environmental community. This legislation provides for research and education as well as best management practices to be established by the Montana Department of Agriculture. It also provides for regulation when appropriate--that is, when EPA proposes to ban a chemical if a management plan is not developed, when groundwater is contaminated to more that 50 per cent of the health standard, when the amount of chemical in groundwater is increasing or spreading out despite voluntary efforts, or when chemicals are being applied over an area where the groundwater is close to the surface or otherwise vulnerable.

This approach is not a blanket reduction of chemicals and fertilizers nor a preference for manures as opposed to commercial fertilizer--which some have suggested is necessary to protect groundwater. Instead it helps the farmer protect his land and the groundwater that he and his family drink while enabling him to make the management decisions on his farm. And, it does not presume that land and groundwater are the same in every county or even every township. It is the scalpel instead of the butcher knife approach.

We also are supportive of legislation H.R. 2258 introduced in

Congress by Rep. Stangeland and others, and S. 779 supported by more than 30 cosponsors including Montana's Sen. Conrad Burns that direct USDA to provide farmers more practical guidance, more education and more technology on agronomic best management. BMPs are agronomic practices that are least-cost to farmers which not only improve water quality but sustain desired crop levels that serve to keep food prices at a minimum for consumers.

Similar legislation on BMPs was adopted by the House Agriculture Committee in the 100th Session of Congress and passed the full House in a groundwater research bill by a vote of 399 to 15.

The 1990 farm bill should not have programs that are an economic disincentive to farmers for adopting efficient crop production systems. It should not have programs that provide incentive or subsidies for one source of nutrient to the detriment of another nor reward one approach to pest control at the expense of another. Given the opportunity, farmers will choose the most efficient method of crop production.

The challenge today is to assure that suggested approaches to safeguarding the environment are realistic, effective and based on proven research.

The adoption of an approach similar to this year's Montana legislation plus maximum flexibility within government programs will give farmers the opportunity to develop farming systems that maximize production efficiency and environmental protection.

This approach will help ensure a truly sustainable American agriculture.

(Attachment follows:)

Attachment to testimony of
Mrs. Pam Langley

SHORT TITLE

80-00-000

This chapter may be cited as the 'MONTANA AGRICULTURAL CHEMICAL GROUND WATER PROTECTION ACT.

Note: HB757 will not be codified until sometime in October, 1989, therefore, appropriate numbering of sections is not presently possible. Once codification is completed, the appropriate Montana Codes Annotated (MCA) title, chapter and section numbers will be used in this document.

STATEMENT OF INTENT

A statement of intent is required for this bill (HB757) in order to provide guidance to the department of agriculture and the department of health and environmental sciences concerning the administration of the provisions of the bill and the adoption of rules.

Because the departments share responsibility for certain duties established by the bill, the departments shall coordinate their rulemaking efforts and whenever possible adopt identical rules for the areas of shared responsibility, including:

(1) ground water monitoring as authorized by sections 10 and 11;

(2) field and laboratory operational quality assurance, quality control, and confirmatory procedures as authorized by sections 7, 10, and 11;

(3) maintenance of confidentiality of certain data as required by section 8; and

(4) administrative civil penalties as authorized by section 22.

The board of health and environmental sciences is responsible for adoption of certain ground water quality standards for agricultural chemicals as required by section 9. The board shall adopt appropriate rules as necessary to comply with the special requirements and considerations that apply to the adoption of these standards as specified in section 9, including acquisition of current and scientifically valid data from the United States environmental protection agency (EPA) and other sources and communications with EPA concerning the content and status of promulgated federal standards, nonpromulgated federal standards, and other relevant EPA regulations and materials.

The department of agriculture is responsible for the development of agricultural chemical ground water management plans. The department shall adopt appropriate rules to ensure compliance with the requirements of section 12, including procedures for the development of the plans, communication with sources of information needed for the plans, communication with citizens who may be affected by the plans, and criteria for ensuring that the content of the plans meets the objectives of preventing ground water impairment, minimizing the presence of agricultural chemicals in ground water, and protecting present and future beneficial uses of ground water as specified in section 12.

The department of agriculture shall also adopt rules specifying procedures for obtaining comments on agricultural chemical ground water management plans from the department of health and environmental sciences, for adoption of completed plans, and for making modifications to adopted plans.

Section 1. Short title. Sections 1 through 24 may be cited as the "Montana Agricultural Chemical Ground Water Protection Act".

Section 2. Definitions. Unless the context requires otherwise, in this act, the following definitions apply:

(1) "Agricultural chemical" means any of the following:

(a) a pesticide as defined in 80-8-102;

(b) an isomer, degradation, or metabolic product of a pesticide, or

(c) a commercial fertilizer as defined in 80-10-101

(2) "Aquifer" means a water-bearing, subsurface formation capable of yielding sufficient quantities of water to a well for a beneficial use.

(3) "Best management plans" and " best management practices" mean activities, procedures, and practices established by the department of agriculture, in consultation with the Montana state university extension service, to prevent or remedy the introduction of agricultural chemicals into ground water to the extent technically and economically practical.

(4) "Board" means the board of health and environmental sciences provided for in 2-15-2104.

(5) "Confirmatory procedure" means a process for verifying the detection of agricultural chemicals in water, soil, and other related media.

(6) "EPA" means the United States environmental protection agency.

(7) "Ground water" means any water of the state occupying the voids within a geologic formation and within the zone of saturation.

(8) "Interim numerical standard" means a health-based number that expresses the concentration of an agricultural chemical allowed in ground water and that is adopted by a rule of the board pursuant to section 9(3) or (4).

(9) "Margin of safety" means numerical margins that are applied to the no observable effect level in an agricultural chemical toxicology study and that are used by the EPA to extrapolate data obtained from studies of animals to humans, including sensitive individuals.

(10) "No observable effect level" means the highest dose level of an agricultural chemical to which a laboratory animal is exposed, per unit of body weight, at which no effect is observed, as established by EPA's pesticide registration process.

(11) "Nonpoint source" means a diffuse source of agricultural chemicals resulting from activities of man over a relatively large area, the effects of which must normally be addressed or controlled by a management or conservation practice.

(12) "Nonpromulgated federal standard" means a health advisory, or a suggested no adverse response level that is published but not promulgated by regulation by EPA and that is a suggested measure of the health risk represented by the concentration of an agricultural chemical in water.

(13) "Numerical risk assessment" means a scientific procedure used to measure the statistical probability of human health risk associated with exposure to an agricultural chemical.

(14) "Oncogenic potential" means the potential of an agricultural chemical to cause tumors in laboratory animals and the extrapolation of that potential to humans through use of statistical models and other evidence.

(15) "Person" means any individual, group, firm, cooperative, corporation, association, partnership, political subdivision, state or federal government agency, or other organization or entity.

(16) "Point of standards application" means the specific location in an aquifer where ground water quality and quantity are sampled, measured, evaluated, or otherwise used by either the department or the department of health and environmental sciences to implement the provisions of sections 1 through 24.

(17) "Point source" means a point source as defined in 75-5-103, including but not limited to chemical mixing, loading, and storage sites and sites of agricultural chemical spills.

(18) "Promulgated federal standard" means an agricultural chemical maximum contaminant level as established under the federal Safe Drinking Water Act, a national primary drinking water standard, or an interim drinking water regulation or other EPA regulation based on federal law.

(19) "Registrant" means a person as defined in 80-8-102 and 80-10-101.

(20) "Standard" means the numerical value expressing the concentration of an agricultural chemical in ground water that when exceeded, presents a potential human health risk over a lifetime of consumption and that is adopted by a rule of the board as required by section 9.

(21) "Use" means any act of handling or release of an agricultural chemical or exposure of man or the environment to an agricultural chemical, including but not limited to application, mixing, loading, storage, disposal, or transportation.

Section 3. Policy. It is the public policy of this state to:

(1) protect ground water and the environment from impairment or degradation due to the use of agricultural chemicals;

(2) allow for the proper and correct use of agricultural chemicals;

(3) provide for the management of agricultural chemicals to prevent, minimize, and mitigate their presence in ground water; and

(4) provide for education and training of agricultural chemical applicators and the general public on ground water protection, agricultural chemical use, and the use of alternative agriculture methods.

Section 4. Administration

(1) The department and the department of health and environmental sciences shall administer section 1 through 24.

(2) The department of health and environmental sciences is responsible for the establishment and enforcement of agricultural chemical ground water standards and interim numerical standards as authorized by section 9, ground water monitoring as authorized by sections 10 and 11, providing comments to the department during the development of agricultural chemical ground water management plans, promoting research as set forth in section 7, and related responsibilities set forth in Title 75, chapter 5.

(3) The department is responsible for the preparation, implementation, and enforcement of agricultural chemical ground water management plans as authorized by sections 12 and 16 through 24, public education as authorized by section 6, ground water monitoring as authorized by sections 10 and 11, other duties related to promoting research as set forth in section 7,

and related responsibilities set forth in Title 80, chapters 8 and 10.

(4) Sections 1 through 24 do not limit the department's responsibility to enforce agricultural chemical label directions and prohibitions.

(5) The administration of sections 1 through 24, including rulemaking and hearing functions authorized by sections 1 through 24, must be conducted in accordance with the Montana Administrative Procedure Act,Title 2, chapter 4.

Section 5. Rulemaking.

(1) The board shall adopt rules for the administration of section 1 through 24 for which the board and the department of health and environmental sciences have responsibility. These rules must include but are not limited to:

(a) standards and interim numerical standards for agricultural chemicals in ground water as authorized by section 9;

(b) procedures for ground water monitoring as authorized by sections 10 and 11;

(c) field and laboratory operational quality assurance, quality control, and confirmatory procedures as authorized by sections 7, 10, and 11, which may include, through adoption by reference, procedures that have been established or approved by EPA for quality assurance and quality control;

(d) standards for maintaining the confidentiality of data and information declared confidential by EPA and the confidentiality of chemical registrant data and information protected from disclosure by federal or state law as required by section 8; and

(e) administrative civil penalties as authorized by section 22.

(2) The department shall adopt rules necessary to carry out its responsibilities under section 1 through 24. These rules must include but are not limited to:

(a) procedures for ground water monitoring as authorized by section 10 and 11;

(b) the content and procedures for development of agricultural chemical ground water management plans, including the content of best management practices and best management plans, procedures for obtaining comments from the department of health and environmental sciences on the plans, and the adoption of completed plans and plan modifications as authorized by section 12;

(c) standards for maintaining the confidentiality of data and information declared confidential by EPA and of chemical registrant data and information protected from disclosure by federal or state law as required by section 8;

(d) field and laboratory operational quality assurance, quality control, and confirmatory procedures as authorized by sections 7, 10 and 11, which may include, through adoption by reference, procedures that have been established or approved by EPA for quality assurance and quality control;

(e) emergency procedures as authorized by section 20;

(f) procedures for issuance of compliance orders as authorized by section 18; and

(g) procedures for the assessment of administrative civil penalties as authorized by section 22.

Section 6. Educational programs.

(1) The department, in cooperation with the Montana state university extension service, shall develop and conduct appropriate educational programs to promote the policy specified in section 3. The department and the Montana state university extension service may charge a fee for the educational programs commensurate with the costs of program development and administration.

(2) All fees collected by the department pursuant to this section must be deposited in the state special revenue fund. The department may spend the funds for the purposes set forth in this section.

(3) All fees collected by the Montana state university extension service must be deposited in a special account identified for this purpose. The extension service may spend the funds for the purposes set forth in this section.

Section 7. Research. The department or the department of health and environmental sciences shall promote, for the purposes described in section 3, cooperative ground water research programs with units of the university system and associated agricultural experiment stations, the bureau of mines and geology, and other appropriate agencies, organizations, and individuals.

Section 8. Confidentiality.

(1) The department and the department of health and environmental sciences shall maintain the confidentiality of data declared confidential by EPA and chemical registrant data and information protected from disclosure by federal or state law.

(2) The department of health and environmental sciences, shall comply with the requirements of 75-5-105 and the department shall comply with the requirements of 80-8-107 and 80-10-210, except as otherwise provided by this section.

Section 9. Ground water standards.

(1) The board shall adopt standards and, as applicable, interim numerical standards for agricultural chemicals in ground water. The standards must be the same as any promulgated or nonpromulgated federal standard established by EPA, although the board may determine, pursuant to the requirements of subsection (4), that an interim numerical standard different from either a proumulgated or nonpromulgated federal standard is justified. promulgated federal standards must receive preference. Except as provided in subsections (3) and (4), if more than one nonpromulgated federal standard exists for an agricultural chemical, the board must adopt the most recently established nonpromulgated federal standard.

(2) The board is not required to adopt a standard or interim numerical standard for every agricultural chemical registered in the state. The only standards and interim numerical standards required are for those agricultural chemicals;

(a) that are addressed by promulgated and nonpromulgated federal standards;

(b) the presence of which has been verified in ground water as provided in section 10; or

(c) that the department and the department of health and environmental sciences predict may appear in ground water, in accordance with the procedures and determinations specified in sections 10 and 11.

(3) If no promulgated federal standard has been adopted or no nonpromulgated federal standard has been published for an agricultural chemical for which the board is required to establish a standard or interim numerical standard as specified in subsections (2)(b) and (2)(c), the department of health and environmental sciences shall request EPA to establish a promulgated or nonpromulgated federal standard. If the department of health and environmental sciences determines that EPA cannot comply with the request within 15 days, the board shall adopt an interim numerical standard, provided that the board shall review the interim numerical standard whenever EPA adopts a promulgated federal standard or publishes a nonpromulgated federal standard for the agricultural chemical in question.

(4) The board may adopt an interim numerical standard that is different from either a promulgated or nonpromulgated federal standard, if there is significant new and relevant technical information available that is scientifically valid. The board shall review the interim numerical standard when EPA establishes or revises the promulgated or nonpromulgated federal standard for the agricultural chemical in question.

(5) The board shall consider the following in adopting any interim numerical standard under either subsection (3) or (4):

(a) Effect on a person weighing 70 kilograms and drinking 2 liters of water per day over a lifetime; and

(b) EPA's conclusions regarding the no observable effect level, including the margin of safety identified by EPA when scientific data indicates oncogenic potential for the agricultural chemical and EPA has determined that a numerical risk assessment is not justified, is inappropriate, or does not serve as the primary toxicological basis for regulation.

(6) Nothing in this section may interfere with the board's responsibility to adopt rules and standards under Title 75, chapter 6

Section 10. Monitoring programs.

(1) The department or the department of health and environmental sciences shall conduct monitoring programs to determine:

(a) whether residues of agricultural chemicals are present in ground water; and

(b) the likelihood of an agricultural chemical to enter ground water, if either department determines that sufficient valid scientific data is available to reasonably predict the behavior of a particular agricultural chemical in the soil.

(2) Any person who receives a chemical analysis indicating the presence of an agricultural chemical in ground water, shall notify the department of health and environmental sciences.

(3) The department and the department of health and environmental sciences shall evaluate all information relating to this section that is received from any person based upon standard procedures, protocols, and confirmatory procedures established by rules. Information found to be insufficient based on the adopted procedures and protocols,including analytical results, may be used only for informational purposes.

Section 11. Evaluation and use of monitoring results.
(1) When providing preliminary monitoring results or confirmed monitoring results to ground water users or the public, the departments shall also provide any applicable standard or interim numerical standard.

(2) When monitoring results reveal the presence of an agricultural chemical in ground water:

(a) the department of health and environmental sciences is the lead department for determining health risks; and

(b) the department is the lead department for determining compliance with agricultural chemical ground water management plans authorized by section 12 and with agricultural chemical registration, use, and labeling requirements and conditions pursuant to Title 80, chapters 8 and 10.

(3) The department and the department of health and environmental sciences shall cooperatively evaluate the results of monitoring programs authorized by section 10.

(4) Based on the results of monitoring, the department and the department of health and environmental sciences shall implement appropriate actions specified in section 1 through 24 to mitigate any existing impacts of an agricultural chemical found in ground water and to prevent future impacts of an agricultural chemical that may be found in ground water, in relation to human health, agriculture, and the environment.

(5) The department may not undertake compliance and enforcement actions authorized by section 1 through 24 and the department of health and environmental sciences may not undertake compliance and enforcement actions authorized by Title 75, chapter 5, unless there is sufficient evidence collected through:

(a) monitoring at a point of standards application that reveals that a person using an agriculture chemical or introducing or discharging the chemical into ground water, has violated a provision of section 17 or title 75, chapter 5; or

(b) other investigations that reveal that a person using an agricultural chemical or introducing or discharging the chemical into ground water has violated a provision of section 17 or Title 75, chapter 5; or

(c) monitoring that reveals a significant probability for an agricultural chemical to enter ground water.

Section 12. Agricultural chemical ground water management plans.

(1) The department shall develop and implement a general state agricultural chemical ground water management plan to achieve the policies of section 3. This plan must include general program elements set forth in sections 1 through 24 and best management plans and best management practices. Prior to publication of the plan, the department shall provide a 30-day period for the department of health and environmental sciences to prepare and submit comments on the plan.

(2) Except as provided in subsection (11), the department shall develope and implement agricultural chemical ground water management plans specific to particular agricultural chemicals and to a defined geographical area.

(a) when the level of an agricultural chemical found in ground water is at 50% of the standard or interim numerical standard at a point of standards application and is scientifically validated;

(b) when a definite trend of increased presence of the agricultural chemical in ground water at a point of standards application is scientifically validated;

(c) when agricultural chemicals have been determined to have migrated in the ground water from the point of detection:

(d) when EPA proposes to suspend or cancel registration of an agricultural chemical, prohibits or restricts the chemical's sale or use in the state, or otherwise initiates action against a chemical because of ground water concerns and when EPA's action, restriction, or prohibition will be implemented unless the state develops an adequate management plan; or

(e) when agricultural chemicals that possess or are suspected of possessing properties that indicate potential to migrate to ground water are being applied on areas underlain by ground water that is vulnerable to impairment.

(3) Any person using an agricultural chemical that is addressed by a specific agricultural chemical; ground water management plan in the geographical region that is addressed by the plan, shall comply with the plan. The department may specifically identify and designate persons who are under the plan, and may inform any person about the plan.

(4) The department shall prioritize preparation of specific agricultural chemical ground water management plans in consideration of the specific circumstances of each area and within available resources.

(5) In developing general and specific agricultural chemical ground water management plans, the department shall consider the current and potential beneficial use of the ground water included in, or affected by the plans. If the ground water has not been classified, the department shall consider it to be included in the classification representing the highest quality of ground water until such time as the ground water is classified by the department of health and environmental sciences, and the department may proceed to develop an agricultural chemical ground water management plan as required by subsection (2).

(6) The department may request the department of health and environmental sciences to classify certain ground water and may collect the data and information required by the department of health and environmental sciences to classify the ground water. If adequate technical data and financial resources are available as determined by the department of health and environmental sciences, the department of health and environmental sciences shall classify ground water at locations as requested by the department.

(7) A specific agricultural chemical ground water management plan must include:

(a) requirements to prevent ground water impairment that are based on ground water use, value, and vulnerability and that address all applicable aspects of agricultural chemical use; and

(b) requirements to prevent or minimize further presence of the agricultural chemical in the ground water and to provide protection for the present and future beneficial use of the ground water.

(8) A specific agricultural chemical ground water management plan may include, but is not limited, to the following elements:

(a) identification of geographical areas where an agricultural chemical may be used;

(b) ground water, soil, meteorological, and geological characteristics;

(c) best management plans and best management practices;

(d) identification of high priority ground water;

(e) certification, licensing, training, and education requirements for persons using agricultural chemicals;

(f) identification of setback areas around water wells where certain activities may be restricted;

(g) agricultural chemical application rates and timing, and related use criteria;

(h) alternative pest management techniques, including integrated pest management;

(i) other requirements for pesticides, as set forth in Title 80, chapter 8, and related rules and for fertilizers, as set forth in Title 80, chapter 10, and related rules;

(j) EPA requirements; and

(k) alternative soil fertility practices,

(9) When developing and implementing a specific agricultural chemical ground water management plan, the department shall consider the benefits of appropriate use of the agricultural chemical, and shall consult with the Montana state university extension service.

(10) Within available resources, the department shall contact users of an agricultural chemical and user groups that will be subject to a general or specific agricultural chemical ground water management plan to request their recommendations concerning the development of the plan.

(11) The department may develop and implement a commercial fertilizer ground water management plan. If the department and the department of health and environmental sciences determined that residues from commercial fertilizer are present in the ground water or when EPA implements a program to protect ground water from fertilizers,

(12) The department shall adopt specific agricultural chemical ground water management plans through rulemaking, provided that the department may implement emergency plans as set forth in 80-8-105(4) or as authorized by the Montana Administrative Procedure Act. Prior to rulemaking, the department shall provide to the department of health and environmental sciences a copy of each proposed specific agricultural chemical ground water management plan. A 30-day period must be provided for the department of health and environmental sciences to prepare comments on the plan.

(13) The department shall review agricultural chemical ground water management plans periodically to determine if the requirements contained in the plans need to be modified based on new scientific data and information. Plan modifications must be accomplished by rulemaking.

(14) A personal who sells agricultural land that is subject to the provisions of a specific agricultural chemical ground water management plan, shall provide the buyer with written notice about his obligations under the plan and shall forward a copy of the notice to the department. The department is not responsible for enforcement of this subsection.

Section 13. Department of health and environmental sciences to amend rules.

(1) The department of health and environmental sciences shall amend Rules 16.20.603, 16.20.1003, 16.20.1011, and 16.20.1012 Administrative Rules of Montana, to define a specific agricultural chemical ground water management plan prepared pursuant to section 12 as reasonable land, soil,and water conservation practices for point and nonpoint source agricultural operations involving the use of agricultural chemicals, and to exclude those agricultural operations from Montana ground water pollution control system permit requirements.

Section 14. Agricultural chemical ground water protection accounts--acceptance and expenditure of gifts, grants, and founds.

(1) There is a department of agriculture agricultural chemical ground water protection special revenue account and a department of health and environmental sciences agricultural chemical ground water protection special revenue account within the state special revenue fund established by 17-2-102.

(2) Both accounts named in subsection (1) may receive funds from any source as gifts, grants, cost-share funds, or other funds designated for agricultural chemical ground water protection purposes.

(3) The department and the department of health and environmental sciences may individually or jointly spend funds received by their respective accounts for the purposes authorized by sections 1 through 24.

Section 15. Special funding..

(1) A fee of $15 is assessed for the registration of pesticides in addition to the fee imposed by 80-8-201(4).

(2) A fee of $10 is assessed for the registration of fertilizers in addition to the fee imposed by 80-10-201(1). The additional fee must be used for the ground water protection responsibilities of the department relating to fertilizers. Revenues collected from this fee must be credited to the commercial fertilizer account within the state special revenue fund for the administration of sections 1 through 24.

Section 16. Authority to investigate and inspect. Authorized representatives of the department, consistent with the responsibilities set forth in sections 1 through 24 and upon presentation of department-issued credentials, may at reasonable times, or under emergency conditions, enter upon any public or private property to:

(1) Investigate conditions relating to compliance with agricultural chemical labels, agricultural chemical ground water management plans, monitoring requirements, or ground water protection requirements, and to investigate violations of plans or compliance orders;

(2) Gain access to and copy any records required by the department in the administration of sections 1 through 24;

(3) Establish and inspect monitoring equipment; and

(4) Sample ground water, including drinking water supply sources such as wells and similar structures.

Section 17. Prohibited activity. It is unlawful for a person to:

(1) Violate any provision of a specific agricultural chemical ground water management plan;

(2) Violate any lawful order issued pursuant to sections 1 through 24; or

(3) Violate any provision of sections 1 through 24.

Section 18. Compliance orders.

(1) In furtherance of section 17, the department may issue a compliance order to any person violating a standard, an interim numerical standard, or any other requirement established pursuant to sections 1 through 24. The department shall coordinate its proposed actions pursuant to this section with proposed actions of the department of health and environmental sciences pursuant to 75-5-613, if any. Issuance of a compliance order under sections 1 through 24 precludes the department from taking other enforcement actions for the same violation under Title 80, chapter 8 or 10.

(2) The department may issue a compliance order to any person, including the person's employees, agents, and subcontractors, whether or not the person is subject to a specific management plan, to require the cleanup of any agricultural chemical that the person has accidentally or purposely dumped, spilled, or misused, or unlawfully used, that has a significant probability of entering ground water.

(3) When issuing a compliance order, the department may require a person who has violated a provision of section 17 to conduct monitoring to assist in determining the presence or level of concentration of an agricultural chemical in ground water, and the effectiveness of cleanup efforts. The department shall specify criteria in the compliance order for determining the duration of monitoring.

(4) A compliance order must specify the requirement violated and must set a time for compliance. In establishing a time for compliance, the department shall take into account the seriousness of the violation and any good-faith efforts that the person has made to comply with the requirement that has been violated. A compliance order issued under this section must be served either personally by a person qualified to perform service under the Montana Rules of Civil Procedure, or by certified mail.

Section 19. Injunctions authorized. The department may commence a civil action seeking appropriate relief, including a permanent or temporary injunction, pursuant to 80-8-306 or 80-10-303, as applicable, for a violation that is subject to a compliance order under section 18.

Section 20. Emergencies. Notwithstanding any other provisions of sections 1 through 24, if the department finds that an emergency exists that requires immediate action to protect ground water from agricultural chemicals or to prevent use of ground water impaired or likely to be impaired by agricultural chemicals, the department may, without notice or hearing, issue necessary orders or adopt rules to protect public health, welfare, and safety. The duration of an emergency order or rule is limited to the emergency provisions of the Montana Administrative Procedure Act as specified in 2-4-303.

Section 21. Violators subject to penalties.

(1) A person found to be in violation of sections 1 through 24 or a rule established pursuant to sections 1 through 24 is subject to the penalty provisions of sections 22 through 24.

(2) For the purpose of this section, the term "person" means, in addition to the definition in section 2, any responsible corporate officer.

(3) Nothing in sections 1 through 24 may be construed as requiring the department or an authorized agent of the department, to report minor violations of sections 1 through 24 for prosecution, when the department or a duly authorized agent believes that the public interest will be best served by other remedial action, by a suitable notice of warning in writing, or by a lawful written order.

(4) Action under sections 22 through 24 does not bar the department from enforcement of sections 1 through 24 or of rules or orders issued under sections 1 through 24 by injunction or other appropriate remedy.

(5) The department and the department of health and environmental sciences shall coordinate actions when a violator is subject to the penalties authorized by sections 22 through 24 and penalties authorized by Title 75, chapter 5, for the same violation.

Section 22. Administrative civil penalty.

(1) A person who commits a violation of sections 1 through 24 may be assessed an administrative civil penalty by either the department or the department of health and environmental sciences, consistent with their respective responsibilities, of

not more than $1,000 for each offense. Farm applicators possessing a pesticide permit or using a fertilizer may not be assessed an administrative civil penalty of more than $500 for the first offense. Assessment of a civil penalty may be made in conjunction with any other warning, order, or administrative action authorized by sections 1 through 24 or Title 75, chapter 5, that is issued or undertaken by either the department or the department of health and environmental sciences.

(2) No administrative civil penalty may be assessed unless the person charged is given notice and opportunity for a hearing pursuant to Title 2, chapter 4, part 6, of the Montana Administrative Procedure Act.

(3) In determining an appropriate administrative civil penalty, the responsible department shall consider the effect on the person's ability to continue in business, the gravity of the violation that occurred, the degree of care exercised by the offender, and whether significant harm resulted to public health, agricultural crops, livestock, or the environment.

(4) If the responsible department is unable to collect the administrative civil penalty, or if a person fails to pay all or a set portion of the administrative civil penalty, as determined by the responsible department, the department may seek to recover the amount in the appropriate district court.

(5) A person against whom the department or the department of health and environmental sciences has assessed an administrative civil penalty may, within 30 days of the final agency action making the assessment, appeal the assessment to the district court of the county in which the violation is alleged to have occurred. A jury trial must be granted when demanded under Rule 38 of the Montana Rules of Civil Procedure.

Section 23. Judicial civil penalty. A person who commits a violation as specified in section 17 shall be subject to a judicial civil penalty not to exceed $10,000. Each occurrence constitutes a separate violation.

Section 24. Criminal penalties.

(1) A person who intentionally commits a violation as specified in section 17 is guilty of an offense and subject to a fine not to exceed $25,000 for each day the violation continues, or imprisonment for not more than 1 year, or both. Following an initial conviction under this section, a subsequent conviction subjects a person to a fine of not more than $50,000 for each day the violation continues, or imprisonment for not more than 2 years, or both.

(2) Except as otherwise provided in sections 1 through 24, a person convicted of violating any of the provisions of sections 1 through 24 or rules issued under sections 1 through 24 or who misrepresents, impedes, obstructs, hinders, or otherwise prevents or attempts to prevent the department from performance of its duties in connection with the provisions of sections 1 through 24, is guilty of a misdemeanor and shall be fined not less than $100 but not more than $1,500.

(3) A person who knowingly makes any false statement, representation, or certification in any record, report, or other document filed or required to be maintained under sections 1 through 24, or who falsifies, tampers with, or knowingly renders inaccurate any monitoring device or method required to be maintained under sections 1 through 24, shall, upon conviction, be punished by a fine of not more than $5,000, or by imprisonment for not more than 6 months, or both.

(4) A person who with intent to defraud, uses, or reveals confidential information and data provided under sections 1 through 24 or rules issued under sections 1 through 24 shall, upon conviction, be fined not more than $5,000, or imprisoned for not more than 1 year, or both.

Sections 25-29. These sections amended the Montana Water Quality Act 75-5-105, and 75-5-301, MCA, and the Montana Pesticide Act 80-8-105, 80-8-107, and 80-8-305 MCA. The amendments primarily insure that these acts are compatible with this act.

Section 30. Severability. If a part of this act is invalid, all valid parts that are severable from the invalid part, remain in effect. If a part of this act is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

Section 31. Codification instruction.

Section 32. Effective date. This act is effective January 1, 1990.

BILLINGS
CHAMBER OF COMMERCE.

Good morning Congressmen. My name is Dan Farmer, Chairman of the Legislative Affairs committee of the Billings Chamber of Commerce. I thank you for the opportunity to appeal before the House Agriculture Sub-Committee on Wheat, Soybeans, and Feed Grains.

Today I intend to address three issues as they relate to agriculture and main street business. Those three issues are the 1990 Farm bill, the CRP or Conservation Reserve Program and what the sugar industry means to the Billings area.

First, I'd like to address the 1990 Farm bill and a provision athat is being considered in that bill. Specifically, we are aware of the conservationists' concerns over the use of chemicals in agriculture. What we all need to remember is that the farmers/ranchers were the very first stewarts of the land. One of their foremost concerns over the years has been with that irreplaceable commodity, land, without which their operation would cease to exist. In certain circles there are discussions of banning or severely restricting the use of chemicals. The Chamber is concerned that onerous regulations could have a negative impact on the producer and a devastating impact on our main street businessman. We encourage the Committee to carefully review the recent technological developments in both the use and application of chemicals as you craft the language in the bill.

In regard to CRP, the Chamber wants the Committee to know that it very strongly acknowledges the need for conservation practices. We would also like to thank Congressman Marlenee's efforts to cap the CRP allowable acreage of a county to 25 percent.

Please recognize that as we take land out of production we being to impact the main street businesses not only in many cities and towns of Eastern Montana, but also here in Billings. The very services that the agricultural producer needs begin to disappear because of a lack of demand. That is not good for those cities, towns, nor those producers who are left without a local supplier. And rest assured that there truly is a ripple effect from those same cities and towns to the district and regional operations here in Billings. The end result is that the main street businessman is criticized for not being responsive to agricultural needs; but the truism is that business is simply reacting to market demand which in turn was affected by a government program.

I know there are many more to speak and I know that sugar is truly not in the scope of this sub-committee, but let me take several moments to briefly address the issue of sugar. The national media has tried to demonstrate that there are only 12,000 producers that benefit from the sugar support in the farm bill. Billings as the home of a sugar refinery, can really point out where that is a less than accurate portrayal of the facts. Let's not get mired down in the rhetoric concerning what the farm bill does for stable prices or a consistent supply, but rather look to what the sugar industry means to Billings.

First and foremost is the fact that the Western Sugar refinery is a value added process, something that every city is always looking for under the the guise of economic development. One need only look to the efforts spent to try to lure the malt barley plant to Billings or the Canola plant to Butte to see how prized the value added facility is to an area.

I'm going to take just a couple of minutes more to briefly cover a few numbers. The sugar industry contributed roughly $37.7 million dollars to the areas economy and accounted for some 3,090 total jobs which represents 1,713 full-time equivalent jobs. Agriculture is important to Billings and the sugar industry is likewise important to Billings. The agricultural producer could not get the same return on investment from an alternate crop and the Billings area would truly lose even more due to the loss of the value added plant in Western Sugar.

Thank you for your patience and the opportunity to testify today.

This testimony is given on behalf of Montana Farmers Union, by Ken Siroky, a board member and farmer-rancher from Roy, Montana.

Gentlemen, the 1990 Farm Bill will be the most important one ever written and must be written from scratch as the Farm Act of 1985 is without redeeming characteristics or qualities.

It was written by and for agribusiness, administered by agribusinessmen from the US Department of Agribusiness and has given the American family farmer the business. Cases in point are Secretary of Agriculture Yeutter and Undersecretary for International Affairs and Commodity Programs Richard Crowder. The former was Chairman of the Chicago Mercantile Exchange and the latter a corporate economist for Pillsbury. Both have roots in the farm but we all know where their future lies.

As a result the focus is on the perpetuation of the cheap food policy and is a major driving force in the push for international free trade. Both goals are dependent on low prices, and in this it has been successful. This success has been devastating to family farm agriculture.

The most tragic effect of current farm policy is that through bankruptcy and CRP it has accelerated the separation of people from the land. It is ironic that two recent articles in Farm Journal , August 1987 and US News and World Report lament the exodus from agriculture in Russia and Poland respectively. A quote from the Farm Journal article by Zhores Medvedev "The plan is rational, but I don't see family farming emerging as a broad movement. This could have worked 20 years ago, when farmers still lived in rural areas. Now it will be hard to attract city people, even if they get 50-year leases, because they can't milk a cow and don't have the psychology. These things were passed on by each generation for hundreds of years, but the chain has been broken." is a concept that could well have been uttered by an American. A mental survey in my home community of Roy reveals the same frightening prospect. A misguided economic policy is the culprit in all cases.

The low prices associated with the cheap food-free trade policy have not only torn the people from the land but torn the soil itself away as erosion is also a continuing legacy.

The illogical dilemmas confronting farmers and rural residents persist and perplex. While rural communities deteriorate on a daily basis it is called progress. When it rains a farmer doesn't know whether to laugh or cry because though it is good for his crop the price goes down and it is called a world market. It is impossible to make a planting or marketing decision with the variables of the weather in Brazil or India and political change in the USSR or China. Isn't the local weather, insects, politics and politicians enough?

Rural development and how to pay for it is a huge issue. All the funny little ideas about niche marketing and speciality crops thrive and line up for development funds from some level of government.

Even as statistics say that 11.8% of the consumer dollar is spent on food and only about 30% is the farmers share, people bemoan financial assistance to agriculture.

How low is low enough? How cheap is cheap enough?

If the allegations about Pete Rose are true then his intelligence is really in question. He could have gambled freely and legally every business day by participating in the national gaming syndicates that focus all existing rumor, greed and pertinent and impertinent variables while deciding the price of farm commodities known as the Chicago Board of Trade and Chicago Mercantile Exchange.

All this because someone is chasing a world market, free trade and something called economic freedom.

What we want is economic independence gained from selling our production to the market place on par with the rest of the economy. That would allow rural development to be the fruit of earned income and not a pork barrel of borrowed dollars. That would allow people to have a future in rural America and some personal dignity too.

So how can this be accomplished? We recommend a bushel quota system of marketing that takes into account domestic, profitable foreign trade and charity needs. It would meter into the market only as much as is required to meet those needs from harvest to harvest. We must regain control of our international trade borders by establishing prices for our production that reflect true cost and tying it to access to our domestic market. International trade should not be a function of every variable that ever existed but an equity exchange with zero balance.

Under the quota system, with par prices paid by processors and exporters, government subsidies would fade, farmers would farm only the most suitable acres and find more proper alternatives for the rest. They would be free to determine their own acreages and crop mixes. Government storage could be eliminated as marketing quotas would only allow so much into the market. Excess would be owned, stored, and the full responsibility of producers. The reserve would be a self-insurance policy for that inevitable crop disaster in that the producer would always have a crop to market. The fact of the farmer having a crop in the bin ready to sell at a known price would reap an added harvest as the crop insurance fiasco could fade into obsolescence.

With certaintyof supply and price will come pride, dignity, stability and plenty for consumer and producer alike.

We've already won some for the Gipper. It's time to win one for the family farmer.

TESTIMONY
of
JO ANN FORSNESS
PRESIDENT MONTANA WIFE

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, MONTANA WOMEN INVOLVED IN FARM ECONOMICS WISHES TO THANK YOU FOR THE OPORTUNITY TO OFFER TESTIMONY HERE TODAY. WE WOULD ALSO LIKE TO TAKE JUST A MOMENT TO SAY THANK YOU TO REPRESENTATIVE RON MARLINEE FOR INTRODUCING HR 2973. HR 2973 WILL GIVE PERSON STATUS TO MARRIED FARM WOMEN.

MY NAME IS JO ANN FORSNESS, I CURRENTLY SERVE AS PRESIDENT OF MONTANA WIFE. MY HUSBAND AND I OWN AND OPERATE A DRYLAND/IRRIGATED RANCH IN NORTH EAST MONTANA. IAM ACTIVE IN THE OPERATION OF THIS RANCH AND MY NAME IS ON THE NOTE AT THE BANK.I AN VITALLY INTERESTED IN THE 1990 FARM BILL.

CONGRESS HAS LABORED MIGHTILY TO CURE THE PROBLEMS FACED BY AGRICULTURAL PRODUCERS. SOME SOLUTIONS HAVE COME FORTH WHICH WILL HELP KEEP FAMILY'S ON THE LAND. ALL TO OFTEN THESE SOLUTIONS ARE TEMPORARY. UNTIL THE DAY COMES WHEN AGRICULTURE IS ALLOWED TO SELL THEIR PRODUCTION FOR A PRICE WHICH CONSIDERS COST OF PRODUCTION PLUS A FAIR RETURN ON INVESTMENT, RURAL AMERICA WILL CONTINUE TO BE A PLACE OF BOARDED UP STORE WINDOWS AND A LANDSCAPE DOTTED WITH EMPTY FARM HOMES.WE ARE CONCERNED ABOUT THE DEPLORABLE ECONOMIC CONDITIONS THAT STILL EXIST FOR THIS NATIONS PRODUCERS.YES, SOME PRICES HAVE RISEN, BUT SO HAVE INPUT COSTS. COMMODITY PRICES MAY DECLINE,INPUT COSTS VERY LIKELY WILL NOT.

THE 1990 FARM BILL MUST CONTAIN PROVISIONS WHICH WOULD REQUIRE FMHA AND ASCS TO STRIVE FOR CONSISTANCY BETWEEN COUNTY OFFICES AS WELL AS STATES. LEGISLATION MUST INCLUDE TEETH TO REQUIRE THE FARM CREDIT SYSTEM TO ABIDE BY THE INTEMT OF CONGRESS ACCORDING TO THE FARM CREDIT ACT. THE 1990 FARM BILL MUST BE LONG-TERM AND BI-PARTISAN

PAGE TWO
TESTIMONY

CONSIDERATION MUST BE GIVEN TO THE IMPACT ON MONTANA'S ECONOMY BEFORE LEGISLATION SUCH AS "THE AMERICAN HERITAGE TRUST BILL" IS PASSED. OUR HERITAGE IS OF EXTREME IMPORTANCE TO OUR MEMBERS BUT WE CANNOT AGREE THAT LIMITING USE OF STATE AND FEDERAL LAND TO JUST A FEW IS THE CORRECT WAY TO PRESERVE IT.

THE US SUGAR USERS ASSOCIATION INCLUDES COMPANIES THAT USE SUGAR OR SWEETENERS SUCH AS HIGH FRUCTOSE CORN SYRUP IN THEIR PRODUCTS. THIS ASSOCIATION SEEKS TO CHANGE THE US SUGAR PROGRAM EACH YEAR. THE SUGAR PROGRAM SHOULD NOT BE ADJUSTED DOWNWARD FOR A VARIETY OF REASONS. THE SUGAR PROGRAM OPERATES AT NO COST TO THE GOVERNMENT.

WILD SWINGS IN PRICE HAVE RESULTED DURING PERIODS WHEN THE US DID NOT HAVE A SUGAR PROGRAM. IN 1974 PRICES SOARED TO 65 CENTS AND THEN DROPPED TO 7 CENTS FROM 1976 TO 1978.CONSUMER PRICES RISE ALONG WITH THE INCREASE IN SUGAR PRICE BUT FAILED TO DECLINE WHEN THE PRICE OF SUGAR FELL.

THOSE PRESENTLY GROWING SUGAR BEETS WITHOUT A PPROGRAM WOULD HAVE TO GROW WHEAT OR CORN, FURTHER IMPACTING NEGATIVELY THE PRODUCERS OF THOSE CROPS. SUGAR BEET GROWERS CANNOT GROW THEM FOR ANY LESS THAN THE 18 CENT PRICE AS INPUT COSTS HAVE RISEN AND CONTINUE TO DO SO.

WHEN YOU CONSIDER THAT YOU CAN PURCHASE SUGAR FOR SLIGHTLY LESS THAN THE PRICE OF KITTY LITTER YOU KNOW THE PRICE IS NOT TO HIGH.

PLEASE FIND ATTACHED A COPY OF THE POSITION PAPER OF WIFE.

(Attachment follows:)

June 30,1989

From: Women Involved in Farm Economics

Agricultural Policy Recommendations to U.S.D.A.

Continuing top priority: Parity for all Raw Materials.

1. Wife supports an escalator clause to be part of the farm legislation so that loan and target prices go up in direct proportion to the cost of production.

2. Wife supports the maintenance of Export Enhancement Programs and the vigorous pursuit of other export programs authorized under the food security act of 1985.

3. We request that loan rates reflect true parity.

4. A wife is a separate person and should have the same rights as any other person to qualify for a separate payment limitation. WIFE believes in equity, including legislation, related to "person status" for eligible farm women under farm program payments.

5. WIFE requests CRP program payments be in cash rather than commodity certificates.
a. Set Aside: We oppose an acerage reduction program.
Wife supports the maximum set aside allowed by law according to the level of carry over stocks.
b. Dairy Buy Out: Any dairy livestock herd dispersal should include orderly marketing through a monthly quota system.
c. Bushel Alotment: A consistant and constant NCA is necessary to implimnet an efficent, fair and realistic set aside in a bushel allotment program. Once established, this NCA should not be decreased. Permanent grass and trees may qualify as set-aside and should not result in loss of NCA. Grass acres should not be hayed or grazed.

6. The USDA should return to it's origional purpose of representing the American producers and not the urban consumers.

6a. Agriculture is it's self a large consumer. Consumers should know where the funds charged to "farm Programs" are spent.

7. Air, water and soil are a vital concern to WIFE. WE feel all consumers benefit daily by an abundant food supply. WIFE will strive to encourage the use of proven data as opposed to human emotion in regulations that govern our industry.

8.WIFE strongly urges the establishment of an interest rate policy through which all agricultural lending agencies will make available to all borrowers the same minimum interest rates that are in direct relationship to the rates set by the Federal Reserve Banking System and that these rates must be made available until commodity prices reach a profitable level and stabilization occurs.
WIFE encourages all lenders involved iin financing and refinancing a farm or ranch to aggressively pursue debt restructuring.

Many new terms are being used in developing the 1990 farm bill which may have a wide variety of meanings, therefore, WIFE supports a concept rather than any specific "buzz" words. WIFE suupports the historical relationship between farm income support programs and agricultural production.

NORTHERN PLAINS RESOURCE COUNCIL

Field Office
Box 858
Helena, MT 59624
(406) 442-9216

Main Office
419 Stapleton Building
Billings, MT 59101
(406) 248-1154

TESTIMONY OF HELEN WALLER

August 30, 1989

Chairman de la Garza and Members of the Committee;

My name is Helen Waller and I am testifying for the National Family Farm Coalition and its Montana member organization, the Northern Plains Resource Council. My husband, Gordy and I farm and ranch about 200 miles northeast of Billings.

Thank you for providing this opportunity for Montanans to express our concerns, and make suggestions for improving farm legislation. I join Congressman Marlenee in welcoming you to Montana, the Big Sky Country.

Since the 1985 Food Security Act was passed, nearly 500 Montana farms and ranches have gone out of business. The primary objective of the new farm bill must be to reverse this trend, and thereby bring economic stability to our rural communities.

The proper role of government is to create a level playing field so that the grain traders who set market prices nationwide will not have an unfair advantage at the marketplace. This can only be done by establishing a price support which will reflect the true value of the commodities we raise.

That is the essence of the private enterprise system -- a price at the market place which would allow farmers to cash flow. If this provision is not a part of the 1990 farm bill, nothing else will fix the problem. Nothing else can reverse the trend toward economic destruction of the family farm system which supports our rural communities. The justification for a fair price support is that basic.

The present program which continually reduces the target price will not resolve the economic problems in rural America. That only prolongs the agony, and the farms and rural communities continue to die a slow death. And besides, it is unrealistic and unfair to expect taxpayers to subsidize a fire sale for the benefit of the grain trade.

Management of production should be accomplished by establishing a bushel marketing quota instead of set-aside acres. Targeting of benefits toward small and mid-size farms could be effectively accomplished by increasing the percentage of marketing certificates.

The passage of emergency drought legislation for program crops could be eliminated by the establishment of a Farmer Disaster Reserve (FDR). If a loss occured which was greater than a specified percentage, a farmer could draw from the FDR.

Crop rotation and planting of legumes should be allowed without being penalized by loss of base acres.

Congress should require a thorough evaluation of the implications of the Conservation Reserve Program before making a decision regarding further expansion of the program. The CRP program is not being effectively enforced in some areas causing weed problems for neighbors. Agricultural service businesses have been impacted. Opportunity for beginning farmers has been denied by terminating grain production on CRP lands.

There is interest among consumers and members of Congress, as well as farmers for converting to more sustainable methods. Although our organizations have struggled to resolve questions of enforcement, marketing, and incentives to cover risk, we have not yet formulated a position. As with the 1985 mandated farm plans, it is important to resolve the question of whether a farmer who has chosen the option of using less chemicals must adhere to increased chemical use as ordered in the farm plan. There is a direct conflict in these practices.

These are provisions which are necessary in order to improve the economic stability of our agricultural industry. I urge your serious consideration of these comments.

Thank you.

Testimony of the
Montana Grain Growers Association

Mr. Chairman, members of the committee, my name is Larry Johnson. I am the president of the Montana Grain Growers Association and a wheat producer from Kremlin, Montana. On behalf of our board of directors and members, I thank you for bringing this hearing to Montana and for giving us the opportunity to present our views to this committee.

The Montana Grain Growers Association continues to support the basic concepts of the 1985 Food Security Act and believes the 1990 Farm Bill should carry on these concepts. Voluntary acreage reduction to keep supply and demand balanced, an aggressive export program, income support through a target price system, and adjusted loan rates significantly below world market prices should all be incorporated in the 1990 farm legislation.

The 1985 Act, while expensive, has been very successful. Ag exports are up, stocks are down, prices are stronger and the financial condition of most farmers has improved. However, times and conditions have changed. Some modifications must be made to the 1985 Act to keep it effective.

The 1990 Farm Bill must perform a fragile balancing act. It must: Balance supply with demand; give U.S. farmers the ability to meet the demands of our customers, while not producing excesses that depress prices; provide commodity prices that stabilize farmers income, yet do not stimulate new production in non-traditional areas; help in reducing this country's budget deficit, but in a way that does not erode agriculture income and require a massive bailout later; and address food safety and environmental issues while not reducing the productivity and efficiency of our producers.

Eventually, an open and free market could accomplish all these things. However, world agriculture policy does not allow that to happen today, so we need to devise fragile ag policy in the U.S. that allows U.S. farmers to be a productive and effective segment of our economy. With some modifications and judicious administration, the 1985 Farm Act can provide the framework to accomplish our goals. With that in mind, the MGGA would make the following suggestions:

Target Prices: The 1990 Farm Bill should be used to review and examine target prices. Target prices should be well balanced, reflecting relative value and cost of production of the various commodities so that one commodity is not favored over another. If one commodity is supported to a larger degree than another, farmers are encouraged to produce for the "farm program" rather than the market. Studies on this subject do suggest that target prices of some commodities such as barley and oats are, in fact, low in relation to other commodities. It should be a priority of this farm bill to correct those inequities and assure that target prices, which are a "corner stone" of current ag policy, are accurate and reflect a reasonable balance between commodities.

MGGA believes that target prices on most commodities have been reduced as far as possible and should not be further reduced in the 1990 Act. Further reduction would only erode producer income support and participation in commodity programs. While target price reductions are an easy source of USDA budget savings, they should be resisted. Rather, we should look to judicious management of acreage set-aside programs (ARP) and aggressive use of the Export Enhancement Program to reduce budget exposure. If supply of grains in the U.S. are kept at reasonable levels, prices can be maintained at a level where deficiency payments are eliminated or minimized.

This brings up the question of what "reasonable supplies" are. Currently, USDA is projecting ending wheat stocks next May 31 at 474 million bushels. Secretary Yeutter has been quoted as saying wheat stocks are "dangerously low" and the USDA is in a panic looking at different means of increasing wheat plantings next year. We do not believe that stocks in the 500 million bushel range are unreasonably low. We are not in danger of running out of wheat. The U.S. does not need to feel responsible for storing world grain surplus. Certainly, we do not want to allow stocks to get so low that prices are pushed so high that new lands are put into wheat production. However, with wheat prices in the $3.50 - $4.00 range, that does not seem imminent. Nor do we want stocks so low that the U.S. withdraws from an aggressive export program. Again, with a stock to use ratio of 20 - 25% that should not be a problem. It would seem then, that the only danger is that prices may rise to a point where producers are receiving a reasonable return on their investment.

While MGGA and all farmers look forward to a time when prices and income are created by the market place, that, in large, is not happening now. We do not believe that we need to give anything away at this time. Unless and until other countries are willing to take responsible action to reduce ag subsidies we need to maintain and utilize all the tools we have to force them to the bargaining table.

Target prices should not be lowered. Rather, the ARP and the EEP should be used to minimize deficiency payments and the resulting budget exposure.

Export Enhancement Program: The EEP cannot be overemphasized. As long as the U.S. is fighting a subsidy war, we must continue an aggressive export sales and market development program. EEP has proven to be very effective in expanding sales and bringing our competitors to the bargaining table.

However, we in Montana are concerned that Durum, Hard Red Spring Wheat and Barley have not received as many EEP awards as they could have. We believe that sales have been lost and those commodities damaged because of reluctance on the part of USDA to grant EEP bonuses. We in Montana depend heavily on exports and a strong and aggressive export position for all classes of wheat and barley must be maintained if this program is going to succeed.

Planting Flexibility: One of the major changes needed in ag policy is flexibility. Current programs have made base acres an extremely valuable asset. Producers do not necessarily raise the commodities they are raising because it makes economic sense, but because we have to in order to maintain base acres. We need to be able to shift acreage to other program crops that are in short supply. More importantly, we need to be able to shift to non-program crops that are in short supply or in the process of expanding markets. We need greater freedom to respond to market signals.

This flexibility could be achieved by either using a Normal Crop Acreage (NCA) base or by allowing producers to plant alternate crops on base acres without the danger of losing base acres.

We do not favor the "triple-base" concept. It is simply a means of cutting target prices.

Long-Term Set-Aside: One of the new concepts that MGGA would like the Committee to examine is that of a long-term set-aside. There are many cases where it would be helpful for a producer to be able to set-aside the same field or acreage for several years. Currently that is not possible. In order to be eligible for conserving use (CU), ground must be planted to a program crop in 2 of the last 5 years.

Montana has a growing saline seep problem. If a producer could set-aside land that is causing a saline seep problem for 5 years and have that qualify for CU, he may be able to take steps to cure the problem. Saline seep is a major cause of water quality problems in Montana and this concept could go a long way in curbing it. It could also be helpful in cases where noxious weeds or other land management conditions are a problem. We would suggest a maximum of 5 years and 5% of base for the long-term set-aside. We are not looking for an expanded CRP program, but rather a set-aside that will allow us to manage some of our cultural and environmental problems. We would be happy to work with the Committee in examining this concept.

Federal Crop Insurance Program: The MGGA urges this committee to take a good look at the Federal Crop Insurance Program. We need to improve this system so that it covers all crops in a way that it is not necessary to write disaster legislation each year. Although disaster legislation these past two years has been extremely helpful to U.S. farmers, we need to know before we plant the degree to which we can protect our investments. We cannot rely on the Congress and its access to federal funds to manage our risk. An insurance program that can adequately cover our risks is much more manageable than sporadic legislative efforts.

We have not had the opportunity to review the Commission for the Improvement of the Federal Crop Insurance Program's final report, but hope that it has listened well in its hearings around the country and has some good suggestions for improving the system. We urge you to take the time to carefully assess the FCIC program and incorporate constructive improvements into the 1990 Farm Bill. We do not want to be "bailed out" each time it rains too little or too much, but we do want to be able to insure our investments on all crops against weather extremes.

Paperwork Reduction: The paperwork required by ASCS and CCC is excessive and cumbersome and we encourage you to take a serious look at Congressman Marlenee's Agricultural Program Reporting and Recordkeeping Improvement Act of 1989, HR802. Surely, if a concerted effort is made to study the various forms we are required to fill out to comply with commodity and conservation programs, some reductions and simplifications could be made. Farmers need to be spending more time on their farms and less time in ASCS offices.

We in the MGGA are also excited about the possibility of using our computers to access USDA/ASCS computers. A large percentage of us utilize computers and it would be a great help if we could access the ASCS computer network not only for program and other information, but to actually sign up for commodity programs from our office on the farm. Many of us travel as far as 70 to 80 miles to stand in line at ASCS offices only to be told we need "one more form or signature".

I encourage you to look at every possible means of cutting down the time and frustrations we producers experience in complying with government programs.

Environmental Issues: Certainly, one of the major concerns of the 1990 farm bill will be environmental issues as they relate to production agriculture. Our organization is sensitive to the problems and potential problems that agriculture has created for our environment and believes that we must take an active role in solving them. However, those problems must be addressed sensibly and responsibly, without "knee-jerk" legislative reactions.

Montana and many states have responded to the water quality issue by implementing ground water protection laws. In our state, that law was the product of compromise between agribusiness, producers and environmentalists. It is a good example of the industry taking the initiative to solve its own problem. We believe it is a good law and will go a long way in beginning the fight to protect the quality of our water.

Yes, we do have environmental problems in agriculture. We admit that. We only ask that this Committee and others come to producers when they are seeking workable answers to environmental problems. Come to us before you react to "60 Minutes" or Jane Fonda and take away our tools.

Low Input Sustainable Agriculture: The buzz-word on Capitol Hill and in many circles today is LISA. Many seem to believe that its a new word and new concept that will revolutionize U.S. agriculture. They believe that chemicals and commercial fertilizers are bad, have no place in the food chain, and that producers should be encouraged or coerced to not use them.

Let me tell you that Montana producers practice Low Input Sustainable Agriculture. We do not purchase chemical and fertilizer imputs because they are fun to buy, but we purchase them when they make our operations more efficient and our commodities a better product. Certainly, we would like a wheat plant that produced its own fertilizer, was resistant to the Russian Wheat Aphid, and emitted natural toxins that kept weeds from our fields. While we may develop that kind of technology, it is not here today.

If there are production inputs with known adverse impact on human health or the environment, we want to be the first to say we should be working to get rid of them. However, we will, and I hope you will help us, resist any attempts to make U.S. agriculture less efficient and competitive because some urban intellectual believes it would be "neat" to see an agriculture that reverted back to the days of the horse and plow with farm children pulling weeds and farm wives spreading manure.

Mr. Chairman and Members of the Committee:

My name is Jerry Thuesen. I am a grain farmer and to be more specific, a Durum producer. I live in Sheridan County in the far northeast corner of Montana. Durum production for 1989 in Montana is projected at 6.7 million bushels. About 3/4 of that will come from northeast Montana.

Today I represent the Montana District of the United States Durum Growers Association. My comments today will focus on two major problems facing spring wheat and durum producers.

1. The Export Enhancement Program or lack of it for durum and spring wheat.
2. Canadian subsidies which are crowding the United States out of traditional markets and subsidized Canadian imports to the United States.

The Export Enhancement Program has been an effective market expansion tool for making United States wheat more competitive on the world market. According to USDA analysts, the EEP in combination with lower loan rates in the 85 farm bill, accounted for 50% of the almost doubled wheat exports from 915 million bushels in 1985-1986 to 1,592 million bushels in 1987-1988. EEP is a proven tool, and with the favorable resolution by the Office of Management and Budget on the EEP budget neutrality issue, it is apparent that the program should be continued and expanded.

The problem is, last year due to drought and declining wheat stocks, the United States seems to have lost it's determination to even hang on to existing spring wheat and durum export markets let alone expand them. As a result, and I'm quoting Neal Fisher of the the North Dakota Wheat Commission,"US durum exports to the country of Algeria, the single largest market for durum, were largely taken over by the EEC. Total US durum exports declined to the lowest levels in 25 years and US durum exports to Algeria fell from a 5 year average of 28 million bushels to 7 million bushels while EEC sales to Algeria and other non-EEC markets increased substantially, filling the gap. US sales to Algeria's North African neighbor, Tunisia, fell from a 5-year average of 9 million bushels to zero under a similar scenario."

Durum exports dropped from 62 million bushels in 1987-1988 to 20 million bushels for 1988-1989. During the same period production dropped from 93 million to 45 million bushels. We took a 51% drop in production, but we dropped our exports by 67%. At the same time, the Canadians helped us out by sending us about 13 million bushels of durum, resulting in a 60 million bushel carryover into the 1989-1990 marketing year. That leaves us with a stocks to use ratio of 74%, higher than any other class of wheat.

Production for 1989-1990 is projected at 91 million bushels and the Canadians are only going to send us 9 million this year so we will have a total supply of 160 million bushels. Of this, USDA says we will export 65 million. That is a lofty goal considering that we turned our two major markets over to the European Community last year. Hopefully, that goal can be attained, but it will take a super job of salesmanship and aggressive use of the Export Enhancement Program.

Durum is presently selling for about $3.20 in northeast Montana, approximately a 50¢ discount to hard red spring wheat. During the last 18 years, the average farm price of durum has been below spring wheat only 5 times and 20¢ was the widest spread to this point. If projected usage figures for durum come to pass, we will carry into the next marketing year only 41 million bushels, a decline of 32% carryover. The stocks to use ratio would decline to 34%. That would be the lowest ratio since 1974 when the ratio was 30% and average farm prices for durum were $5.97. If historical supply and demand figures were to repeat themselves, durum producers should be enjoying much higher prices.

The reason they are not brings me to my second point. Canadian freight subsidies and exports to United States. Canadian growers will produce 160 million bushels of durum this year. That figure will be adequate to take care of Canada's domestic and export needs and still have plenty left over to supply any shortages in the US.

Canadian producers enjoy a freight rate subsidy which allows them to ship a bushel of grain from Weyburn, Saskatchewan(which is straight north of Plentywood) to Vancouver at a cost of 25¢ Canadian or east to Thunder Bay at a cost of only 17¢. US producers at Plentywood, in northeast Montana, pay $1.03 per bushel to ship wheat to the Pacific Northwest. The result is that the Canadian Wheat Board can move grain into west coast terminals at considerably less cost than US producers. They can market it at prices lower than US prices and still have money left over to give their producers a final payment at the end of the marketing year.

For this reason, US millers and pasta makers are unconcerned about any potential short supply of durum in the United States.

As I said earlier, Canadian imports of durum to the United States were 13 million bushels last year(almost twice what Montana will produce this year). That figure amounts to over 20% of the domestic consumption of 61 million bushels. For that reason alone, US durum and spring wheat producers are extremely concerned with current discussions about accelerating the tariff removal schedule set out in the Free Trade Agreement.

That same freight rate subsidy allows the Canadian Wheat Board to move grain into traditional US export markets by undercutting US prices. An example of this occurred in June of this year. Again quoting Neal Fisher of the North Dakota Wheat Commission,"The Canadian Wheat Board booked nearly half of the Philippines annual spring wheat needs for the 1989-1990 marketing year at prices considerably cheaper than prevailing US offerings. The Philippines have traditionally been importers of almost solely US wheats with 5 years annual purchases of 25 million bushels of US hard red spring wheat and 8 million bushels of US white wheat. By contrast the Canadian Wheat Board exports to the Philippines have been non-existent to slight and reached the 3 million bushel level only once in the last 10 years." My point is that aggressive use of the Export Enhancement Program may have salvaged a large percentage of those sales lost to the Canadians.

European Community subsidies as well as Canadian Subsidies pose a very real threat to traditional US markets as well as to any potential new markets. Algeria and Tunesia have been the 2 largest importers of US durum. The Philippines has ranked second only to Japan as a major importer of US hard red spring wheat. In the past year we have turned these markets over to our competitors.

New export business to the Soviet Union and China are welcome developments and hopefully will improve market outlooks if they continue. However, to prevent continued losses in export sales to traditional customers as well as develop new markets, the US must assume a more aggressive stance in the world market.

We are in the process of developing a new farm bill for 1990. It is extremely important that an effective and aggressive Export Enhancement Program continue to be a part of that bill. Without it, US wheat producers and more specifically spring wheat and durum producers will continue to face the dismal prospect of being the world's residual supplier.

Thank you for giving me time on your panel today and I will try to answer any questions that you might have.

(Attachments follow:)

U.S. DURUM PRODUCTION UTILIZATION, CARRYOVER AND AVERAGE

Annual Price Comparisons 1971-89

(In Million Bushels)

						FARM PRICES		
						NATIONAL AVERAGE		
	PRODUCTION	DOMESTIC	EXPORTS	CARRYOVER	S/U*	DURUM	HRS	ALL
1971-72	92	37	44	69	85	1.33	1.38	1.34
1972-73	73	41	67	45	42	1.94	1.88	1.76
1973-74	79	47	45	33	36	6.17	4.28	3.95
1974-75	81	41	47	26	30	5.97	4.45	4.09
1975-76	123	45	52	53	55	4.65	4.05	3.56
1976-77	135	56	41	92	95	2.47	2.67	2.73
1977-78	80	44	62	67	63	2.66	2.40	2.33
1978-79	133	44	72	86	74	2.93	2.80	2.97
1979-80	107	50	83	61	46	4.41	3.53	3.78
1980-81	108	52	59	60	54	5.25	3.92	3.91
1981-82	183	57	82	106	76	3.52	3.68	3.66
1982-83	146	61	59	136	113	3.33	3.51	3.55
1983-84	73	51	62	99	88	3.91	3.64	3.53
1984-85	103	46	61	100	93	3.54	3.68	3.38
1985-86	113	44	53	121	125	3.36	3.41	3.10
1986-87	98	49	82	95	73	2.73	2.55	2.45
1987-88	93	50	62	83	74	3.18	2.63	2.64
1988-89	45	61	20	60	74	4.70	3.90	3.85
Est. 1989-90	91	54	65	41	34			

NDWC 8/12/89
NF38

*S/U - Stocks to Use Ratio (%)

UNITED STATES WHEAT SUPPLY AND DEMAND
- MILLION BUSHELS -

	HARD RED SPRING				DURUM				ALL WHEAT			
	87-88	88-89	89-90 (Est.)	% Chng	87-88	88-89	89-90 (Est.)	% Chnge	87-88	88-89	89-90 (Est.)	% Chnge 88/89-87/88
Begin. Stocks	490	402	216	+ 54	95	83	60	- 28	1,821	1,261	649	- 45
Production	431	181	432	+139	93	45	91	+102	2,107	1,811	2,044	+ 13
Imports	6	7	7		7	13	9					
Tot. Supply	927	590	655	+ 11	195	141	160	+ 13	3,945	3,096	2,759	- 11
Domestic Use	270	174	225	+ 29	50	61	54	- 11	1,092	978	1,010	+ 3
Exports	255	200	270	+ 35	62	20	65	+225	1,592	1,425	1,275	- 11
Total Use	525	374	495	+ 32	112	81	119	+ 47	2,684	2,403	2,285	- 5
CARRYOVER	402	216	160	- 26	83	60	41	- 32	1,261	694	474	- 32
*S/U Ratio (%)	77	58	32		74	74	34		47	29	21	

*S/U - STOCKS TO USE RATIO (%)

NDWC 8/12/89
NF 19A

U.S. HRS PRODUCTION UTILIZATION, CARRYOVER AND AVERAGE

Annual Price Comparisons 1971-89
(In Million Bushels)

							FARM PRICES		
							NATIONAL AVERAGE		
		PRODUCTION	DOMESTIC	EXPORTS	CARRYOVER	S/U*	DURUM	HRS	ALL
	1971-72	366	134	104	275	115	1.33	1.38	1.34
	1972-73	276	182	187	212	57	1.94	1.88	1.76
	1973-74	328	209	245	87	19	6.17	4.28	3.95
	1974-75	293	148	130	104	37	5.97	4.45	4.09
	1975-76	327	156	160	116	37	4.65	4.05	3.56
	1976-77	412	155	124	250	90	2.47	2.67	2.73
	1977-78	399	159	156	335	106	2.66	2.40	2.33
	1978-79	380	163	232	320	81	2.93	2.80	2.97
	1979-80	369	188	217	285	70	4.41	3.53	3.78
	1980-81	311	153	188	257	75	5.25	3.92	3.91
	1981-82	464	171	205	346	92	3.52	3.68	3.66
	1982-83	493	195	239	408	94	3.33	3.51	3.55
	1983-84	323	197	221	314	75	3.91	3.64	3.53
	1984-85	409	171	183	371	105	3.54	3.68	3.38
	1985-86	460	174	166	498	146	3.36	3.42	3.10
	1986-87	451	266	200	490	105	2.73	2.55	2.45
	1987-88	431	270	255	402	77	3.18	2.63	2.64
	1988-89	181	174	200	216	58	4.70	3.90	3.85
Est.	1989-90	432	225	270	160	32			

NDWC 8/12/89
NF37

*S/U - Stocks to Use Ratio (%)

US/CANADIAN WHEAT EXPORTS TO SELECTED MARKETS

(Million Bushels)

	JAPAN				PHILIPPINES				KOREA				TAIWAN				Venezuela			
	US		CAN		US		CAN		US		CAN		US		CAN		US		CAN	
	HRS	ALL	CWRS	All	HRS	ALL	CWRS	ALL	HRS	ALL	CWRS	All	HRS	ALL	CWRS	ALL	HRS	ALL	CWRS	AL
84	38	126	54	56	21	27	0	0	9	75	0	0	7	22	3	3	24	35	2	[illegible]
85	38	121	46	48	20	26	0	0	8	73	0	0	8	24	3	3	21	29	9	1
86	36	119	46	47	18	25	1	1	9	70	17	0	9	26	4	4	15	26	10	1
87	42	122	47	50	24	31	4	4	10	65	42	43	11	30	2	2	22	32	4	[illegible]
88	38	120	48	51	29	38	1	1	11	78	21	23	14	33	4	4	10	17	3	[illegible]
89	36	105	36	38	32	43	2	2	11	66	1	1	12	31	2	2	11	20	8	1

NDWC 8\2\89

NF214

Testimony Presented Aug. 30, 1989
by
Charles W. Crowell, Executive Secretary
Northern Plains Safflower Growers Association

Mr. Chairman, it is a privilege to have the opportunity to present testimony before this committee as a representative of the Northern Plains Safflower Growers Association.

Safflower is grown for the premium oil extracted from the seed. The highly unsaturated oil can lower blood cholesterol levels when included in the human diet. After the oil is extracted from the seed, the remaining meal is utilized as a livestock protein supplement.

California, Montana and North Dakota are the major safflower producing states. Lesser amounts are grown in South Dakota, Nebraska, Kansas, Colorado, Idaho, Utah, Washington and Arizona. Although safflower is a relatively minor crop, it is an important source of income to hundreds of farmers in these states. It is one of the few alternatives to small grains for farmers in the northern plains. Safflower production has ranged from 150,000 to 350,000 acres in the United States over the past ten years.

Safflower is, and always has been, a free crop. It is not subject to acreage controls, price supports, or eligible for C.C.C. loans. The acreage of safflower seeded in the northern plains each year is determined by markets, weather and indirectly by the farm program. The amount of safflower grown is directly influenced by the acreage farmers are permitted to plant to wheat and feed grains under the terms of the farm program and policies in effect that particular year. Producers generally have grown the maximum acreage of wheat and feed grains to maintain their base acreage, to take advantage of deficiency payments, and to have the opportunity to secure C.C.C loans. It is difficult for buyers of free crops such as safflower to compete with subsidized crops such as wheat and barley. Prices offered for safflower are limited by the availability of seed and oil from other countries especially Mexico, Argentina and Australia.

We believe that permitting farmers to grow safflower and other alternate crops on up to 20% of their wheat and feed grain base, without losing cropping history, is a significant first step to encourage production of these minor crops. However, a more equitable policy would provide wheat or feed grain deficiency payments, based on county averages or proven yields on this acreage seeded to non-program crops, again with the 20% limitation. This policy would then permit the farmer to choose which crop he would like to grow based on market prices because deficiency payments would be eliminated as a variable. For example, with current prices a farmer might choose to seed all of his wheat base because markets are strong, but would decide to seed 20% of his feed grains base to safflower because feed grain prices are relatively weak. He would receive any deficiency payment on his entire feed grains base, providing an income safety net. This policy would tend to push growers towards those crops in short supply and away from those in surplus. It should result in the reduction of total deficiency payments because a shift in production away from surplus crops would strengthen those markets. U.S. buyers would be able to compete more equitably with foreign producers, both for our domestic market and in the export business.

Thank you, Mr. Chairman, for considering this testimony.

Charles W. Crowell, Executive Secretary
Northern Plains Safflower Growers Association
Rt. 2 Box 2390
Sidney, Montana 59270
Tel. 406-482-2456

TESTIMONY

on behalf of

Montana Stockgrowers Association

before the

U.S. House of Representatives
Agriculture Committee

August 30, 1989

on

The 1990 Farm Bill

by

Jimme L. Wilson
Ag Policy Representative

The Montana Stockgrowers Association is the state spokesman for all segments of the beef cattle industry--including cattle breeders, producers and feeders. The MSGA represents approximately 2800 cattlemen. Membership includes individual members as well as over 300 associate members and 30 local associations.

MONTANA STOCKGROWERS ASSOCIATION, INC.
P.O. BOX 1679 – 420 NO. CALIFORNIA ST. – PHONE (406) 442-3420 – HELENA, MONTANA 59624

OFFICERS:
WM. J. BROWN, JR. .... SAND SPRINGS .... PRESIDENT
JAMES COURTNEY .... ALZADA .... FIRST VICE PRESIDENT
EDWARD J. LORD .... PHILIPSBURG .... SECOND VICE PRESIDENT
JEROME W. JACK .... HELENA .... EXECUTIVE VICE PRESIDENT
[illegible] .... HELENA .... NATURAL RESOURCES COORDINATOR

EXECUTIVE COMMITTEE:
KEITH BALES .... OTTER
WALT COLLINS .... FORT PECK
LYNN CORNWELL .... GLASGOW
NANCY ESPY .... BOYES
WM. T. HARNER .... FORT BENTON
KNUTE HEREIM .... MARTINSDALE
CARL LINDGREN .... JOLIET
BRUCE MACLAY .... FLORENCE
ROLAND MOSHER .... AUGUSTA
GREG RICE .... HARRISON

Mr. Chairman, my name is Jimme L. Wilson, and I represent the Montana Stockgrowers Association as their spokesman on agriculture policy. I am a cattle rancher from Western Montana where we are involved in raising Hereford cattle, small grains for silage and timber for commercial lumber.

The cattle industry is the largest segment of Montana agriculture according to cash receipts. Throughout the history of Montana and the nation, the American Beef Industry has played an integral role in the economy of our country.

In the past, cattlemen were accused of being negligent of agriculture as a whole so in 1984, we became involved in drafting the 1985 farm bill. We were the "new boys on the block" but we became involved in issues critical to the cattle industry. The following are some of the issues important to my "association."

Feedgrains: The payment-in-kind (PIK) program aided one segment of agriculture at the expense of the cattlemen. Market oriented grain policy was perhaps the most important policy change for the cattle industry included in the 1985 act.

Beef Promotion: The beef check-off has helped the cattle industry tell the story of how nutrient-rich beef benefits the diet, as well as bolsters demand. The check-off was approved by an overwhelming majority of cattlemen and we in the industry thank Congress for giving us the opportunity to prove the merits of a program funded by the producer.

Conservation Reserve: Thirty million acres have been enrolled for the conservation program. The probability of haying and grazing during the term of the CRP control was a prudent decision. Although Secretary Yeutter has revised the previous policy, we believe the drought relief measures were warranted.

Haying and Grazing on Set Aside Acres: The new law passed in 1987 is a fair compromise that recognizes regional differences. In Montana, where a semi-arid climate influences set aside acres, the debate over haying and grazing set aside was not as intense as in other areas of the U.S. We hope this will end the contentious debate on haying and grazing.

Dairy: The Dairy Termination Program was a disaster for the cattle industry. Mismanagement by the ASCS-USDA in a hastily conceived program precipitated a law suit by cattlemen which forced USDA to follow an orderly marketing order previously outlined by Congress. It was a sad day for MSGA to bring suit against USDA. MSGA strongly believes dairy termination programs are counter-productive and should not be utilized in the future. Instead, we should continue to use the national milk producers task force report which stated "that if milk supplies exceed demand by certain levels, the costs of the resulting excess removals be paid by those producers whose marketing exceed their allotted share of market requirements."

Clear Title: The clear title provisions of the 1985 farm act provided that no producer be forced to pay twice for products they buy. This legislation was fully supported by MSGA. The single factor which led to the success of the 1985 farm bill was the fact that there were no major changes mid-term, giving the producer time to adjust their particular operation to the program.

The Montana Stockgrowers Association will be involved with the National Cattlemen's Association Agricultural Policy Committee in the development of the 1990 farm bill. We will work diligently with other agriculture groups to develop consensus and coalitions in order to create a farm bill we can all be proud of.

The new grain policy idea of triple base marketing is being aired as a way to provide program grain producers with flexibility in their planting decisions. Some proponents of the triple base plan would allow non-program crops to be grown on the operation's base. Would it be fair to allow non-program crops to be planted on protected program crop base acres? How would it effect producers who do not farm the government program? Grain policy, in any event, should continue to use market focus for price discovery.

Dairy policy will continue to concern cattlemen. The fear in the cattle industry is that if milk surpluses grow to an unreasonable amount, the government will again have to slaughter cows to remove the surplus. As I mentioned earlier in this testimony, if milk supplies exceed demand by certain levels, the cost of the resulting excess removal should be paid by those producers whose marketing exceeds their allocated share of market requirements. Montana Stockgrowers can not idly stand by and allow dairy policy to be implemented that encourages over production.

The Conservation Title of the 1990 Farm Bill may prove to be the most controversial aspects of the bill in the sense that forces outside of agriculture will have too much input into the title. We cattlemen are all concerned about the environment, but MSGA questions the methods used to address the situation. We believe it is imperative to closely guard private property rights as Congress writes environmental laws. Ranchers will depend on both the Senate and House Agricultural Committees to defend and protect private property.

The Conservation Reserve Program will again be reviewed in 1990 and the question foremost in our minds is what will be done with the land under CRP after the conditions of the contract are fulfilled. We would like to see the land returned to commercial use with no restrictions. If payment is to be made to a CRP participant for extending his lease, then the no haying or grazing position of the law must remain in tact.

Recently two bills have been introduced in the Senate to amend the Federal Noxious Weed Act of 1974. Senate Bill 1159 and 1200. Both of these bills refer to control of noxious weeds on Federal lands and adjacent lands under state or private ownership. Funds will be appropriated by Congress to fund these programs with additional funds coming from state and private landowners. There has been very little weed control on both Bureau of Land Management and Forest Service lands in many instances. In fact, over 4 million acres of knapweed can be found in Western Montana alone. Although the programs suggest a large appropriation, these programs are absolutely necessary if we are to return the lands to productivity. It will give the individual adjoining federal lands an opportunity to cost share in the eradication of noxious weeds. This legislation will probably be tied to the 1990 Farm Bill.

There will be other issues that surface before the 1990 farm bill is written. The Montana Stockgrowers and their national affiliate, the NCA, will follow all titles and will take part in developing any programs that affect our industry. In fact, items such as restricted use of pesticides, further encroachment on ranchers to protect wildlife habitat, additional efforts to improve and monitor water quality and recreational access to lands involved in the farm program will all merit close scrutiny by MSGA.

Mr. Chairman, thank you for the opportunity of appearing before you today. I will be available for questions if you so desire.

Statement of

MONTANA PORK PRODUCERS COUNCIL

Presented by:

Don Herzog
Rapelje, MT

Congressmen Marlenee, de la Garza, Glickman, Jontz, Campbell and Smith:

I am Don Herzog of Rapelje representing Montana Pork Producers Council. Thank you, Representative Marlenee, for inviting members of the committee to hear first-hand about agriculture in Montana and for the opportunity to present testimony here today.

On Herzog Farms at Rapelje we raise grain, hay, cattle, market hogs, feeder pigs and swine breeding stock.

I am representing the pork producers of Montana who account for a $31 million pork industry in the state. Montana Pork Producers Council has 250 dues-paying members and our best estimate is that out of the 1600 farms which claim to have one or more hogs, about 300 earn a substantial part of their income from pork production.

Producing swine goes hand in hand with other livestock or grain enterprises in Montana for about 90% of our producers. A few produce hogs exclusively.

Producing quality pork is a technologically advanced and capital intensive process. It requires a strong commitment of time, energy and dollars. Since it isn't one of Montana's more traditional or romantic agricultural enterprises it also takes a strong individual who can succeed in a minority endeavor.

For the Farm Bill of 1990 and any farm policy of the future, we urge that you who frame it keep simplicity and fairness uppermost in mind. Let us invest our energy in providing consumers a superior food product instead of investigating, screening, negotiating and operating farm programs.

PORK ACT

Overall the 1985 Farm Bill has been significant and positive for the pork industry.

Significant in that it established an industry-wide checkoff on hogs which has allowed producers to fund consumer education, promotion and research programs with our own money.

One unfortunate sidelight is that presently USDA is narrowing the scope of programs which can be funded with these producer funds, changing the original intent of the Pork Act to make it similar to other commodity checkoffs.

We urge you as representatives to understand the importance of a reasonable Pork Act interpretation so pork producers themselves can determine priorities for furthering the industry. Your help in relaying this information to Secretary Yeutter could save a good deal of time and money if we must amend the act to receive this result.

TRADE

Pork producers in the U.S., particularly the West, are struggling to produce hogs at a cost of production low enough to realize a profit in markets which buy our product, often 1,500 miles from our farms.

These same markets bring in Canadian hogs as competition which lower prices for us. The Canadian producer makes the market price plus a subsidy from the provincial and federal governments which guarantees him a price level. The market price doesn't determine his bottom line. Montana producers must live or die with the market price.

Now the Canadian government is granting and lending funds to build and upgrade packing plants. Two major western U.S. packers are now controlled by Canadian companies.

We are working to address these inequities through the system of countervailing duties and urge that government policy continue to include means to address these issues and that no industry be "sacrificed to the overall trade picture," either through agricultural or trade policy.

We hope the 1990 Farm Bill can design export programs to provide us an opportunity to be more responsive to trade-distorting practices of our foreign competitors.

In addition we have concerns that pork imports meet the same health and sanitation standards that are required of domestically produced pork.

Montana pork producers are strong proponents of free trade if it is fair. In fact, we urge provisions for additional Targeted Export Assistance programs to explore the global market for U. S. products. At present only 1% of U.S. pork is exported and we feel there are new opportunities out there.

COMMODITY PROGRAMS

Montana pork producers are also proponents of the free market. Generally the commodity programs of the 1985 Farm Bill have worked well to stabilize U. S. agriculture. We support continuing market-oriented goals with the long-term objective of reducing farm programs.

In most instances current programs have provided a continuous supply of livestock feed for Montana producers except during the 1988 drought. Disaster assistance treated producers who did not produce their own grain harshly and forced their cost of production beyond their neighbors who were eligible for assistance. We are concerned that we may see more volatile prices in the future even without drought.

RESEARCH

Montana producers are proud of the national commitment to swine research through the checkoff program, but in order to enter the world market and keep pace with advancing technology, we need the cooperation of the federal government in livestock research programs.

Our land grant universities and agricultural experiment stations need assistance to continue research programs which increase efficiency through genetics and breeding and evaluation of alternate methods of addressing environment concerns.

SAFETY AND WELFARE

The National Pork Producers Council is working diligently to urge producers to participate in a Quality Assurance Program to eliminate drug residue problems and improve swine management. The industry has reviewed research and established swine welfare guidelines. We encourage management practices which maximize production by keeping animals in low-stress, high-comfort environments.

We urge that stand[illegible] animal production and food safety are reasonable and rational. Research data instead of emotional criteria should be used to set livestock production standards.

CONCLUSION

In the 1980s we lost a lot of pork producers in Montana plus a major packing plant. Those of us who remain are committed to making agriculture and pork production a profitable business and a stable future.

Good federal programs can assist us in efficiently producing wholesome food products for the world market. We are eager to cooperate in designing the next farm bill.

Robert N. Gilbert
Secretary-Treasurer
MONTANA WOOL GROWERS ASSOCIATION

For the record, my name is Bob Gilbert, secretary - treasurer for the Montana Wool Growers Association of Helena. I am presenting testimony today for the 2,608 members of the association who raise wool and lambs in Montana. Our association is the oldest livestock association in the state having had our first meeting in January of 1883,..some six years before Montana became a state.

We appreciate you taking the time to hold these field hearings on the subject of the 1990 farm bill and our testimony today is with regard to the Wool Act which is a part of the overall Farm Bill.

Since the first passage of this piece of landmark legislation some 35 years ago--in 1954--the act has served the growers of wool and lamb extremely well. It has given Montana sheep producers the ability to compete with foreign imports of raw wool. That has been accomplished due to the unique funding provisions within the Wool Act.

According to the report on the Wool Act filed in 1954 and from testimony at Wool Act hearings, "The National Wool Act of 1954 provides a permanent appropriation to the Commodity Credit Corporation under which the corporation is reimbursed each fiscal year an amount to cover program costs that cannot exceed seventy per cent of the wool duties collected..under tariff agreements. This was a key to passage. What we had was foreign tariffs on imported wool paying for the program. Bottom line on this program is that it is a money making program for the U.S. Treasury because while the law provides for up to 70% of the tariffs collected to be used, only 35-40 % has been used.

So while this program has not cost the taxpayer--in fact enriched the taxpayers funds which are appropriated by Congress--the program has kept some 115,000 people in the United States raising wool and lamb. The alternative is to rely on imports and you are all familiar with the balance of trade deficit.

The Wool Act also provides for deductions from the incentive checks. Deductions that are used by our industry to promote wool and lamb. Some of those funds, as a result of changes in the Wool Act in 1985, are being used to try and compete U.S. Wools in the world wool market.

The Montana Wool Growers Association and the American Sheep Industry Association is requesting that Congress renew the Wool Act just as it is written. We ask for no changes to a program **that is working for the American sheep producers, is a non cost program for the U.S. Treasury, and provides monies for a industry supported self-help program. Thank You for the time.**

MONTANA STATE BEEKEEPERS ASSOCIATION

P.O. Box 861
Zurich, Montana 59547
406-357-3558

Established
1915

OFFICERS:

PRESIDENT
Rob Buhmann, Zurich

VICE PRESIDENT
Ron Barnett, Belgrade
406-388-4582

SECRETARY/TREAS.
Gloria Buhmann, Zurich

DIRECTORS:

THREE YEAR TERMS
Bob Barns, Dillon
Bob Davis, Helena
Lance Sundberg, Columbus

TWO YEAR TERMS
Russell Sorenson, Three Forks
Ron Larson, Billings

ONE YEAR TERMS
Daryl Ohmstede, Hardin
Norman Mitchell, Florence
Kermit Slater, Miles City

August 30, 1989

Dear Sirs

The Montana State Beekeepers Association was founded in 1915. Over the last 74 years our Association has worked for the Montana Honey Producers. Our goal has been to provide the information needed by our Membership to survive the special conditions for Beekeeping in Montana. Also we have worked on a State level to provide the legislation necessary to protect Montana's Honey Industry from threats such as Bear Damage and Pesticides to Bee Diseases and encroachment on our Apiaries by Illegal Bees.

Montana has over 50 family operated Beekeeping Farms which range in size from 500 to 5000 colonies or hives of Bees. Although this does not seem like a large number of Beekeepers most of these Businesses are trying to support from two to three or more families. These major Bee Farms along with another 400 part time and Hobbyists make Montana one of the largest Honey producing States in the Nation. Ranking very often in the top five.

My family first came to Montana in 1930. With them they brought 500 colonies of Bees loaded in three railroad boxcars. This was a gamble, but nearly 60 years later after Floods, Droughts and Depressions I am now a third generation Montana Beekeeper. Today we now run over 2000 colonies of Bees in North Central Montana. I enjoy what I do and I know that others do also. I don't mind it being often times hard to make a living at Beekeeping. I just don't want it to become impossible to do so.

Beekeepers need to remain in the 1990 Farm Bill. Our price per pound of Honey has been cut by four cents from the 1988 price. We can't survive a much lower price. As we all know here today everything else from fuel, equipment and the grocery store continues to go up.

Honey does move. Right now the Honey Market is looking up. The buy back program is keeping Domestic Honey on the shelves and competitive with Foreign Honey. If all we had to look at was the activity in the Honey Market our future would look bright at this time. But that is not all. With the recent entrance into the United States by Two Parasitic Honeybee Mites our problems and expenses have just increased, and now the Africanized Honeybee or so called (Killer Bees) are knocking at our back door. When they reach the United States the results to the Bee Industry will be Devastating! Not only to Honey Production but to the crucial pollination of crops which most Montana Beekeepers partake in.

Thank you for taking this time to listen to our needs.

Sincerely

Rob Buhmann
President
Montana State Beekeepers Assoc.

MONTANA STATE BEEKEEPERS ASSOCIATION
P.O. Box 861
Zurich, Montana 59547
406-357-3558

Established
1915

OFFICERS:

PRESIDENT
Rob Buhmann, Zurich

VICE PRESIDENT
Ron Barnett, Belgrade
406-388-4582

SECRETARY/TREAS.
Gloria Buhmann, Zurich

DIRECTORS:

THREE YEAR TERMS
Bob Barns, Dillon
Bob Davis, Helena
Lance Sundberg, Columbus

TWO YEAR TERMS
Russell Sorenson, Three Forks
Ron Larson, Billings

ONE YEAR TERMS
Deryl Ohmstede, Hardin
Norman Mitchell, Florence
Kermit Slater, Miles City

Americans seem to be hooked on hiring experts who smother us with numbers and then we have an over supply of economists who use statistics to predict our fortune and future.

Beekeepers along with other Americans regularly consult experts, read economic reports, and search for facts. Economists can on short notice publish ominous amounts of facts on any subject. Most of statistics are "official" in the sense that they are published by the government. Most of us here compare them to weather reports. Accurate figures put in the"media elite" wreak havoc on the truth.

Then on occasions, some politicians take political positions and then search figures to prove their point. Never mind that they might ignore some important point about honey bee pollination. I am not questioning the need of experts, we need them, but every expert solution needs a careful proofreading by non-experts with experience. Beekeepers who understand the honey bee well enough to make money are well qualified to make a judgement on figures about beekeeping.

For that reason I am grateful Congressman Marlene has asked us to express our views on the 1990 Farm Bill.

Rob and I are both members of the Sioux Honey Cooperative in Sioux City,Iowa. Sales for 11 months of the current fiscal year, which ended June 30, 1989, were up 2,211,000 pounds over the same period a year ago. Reports show that honey sales for the entire industry have increased during the same period of time.

MONTANA STATE BEEKEEPERS ASSOCIATION
P.O. Box 861
Zurich, Montana 59547
406-357-3558

Established
1915

OFFICERS:

PRESIDENT
Rob Buhmann, Zurich

VICE PRESIDENT
Ron Barnett, Belgrade
406-388-4582

SECRETARY/TREAS.
Gloria Buhmann, Zurich

DIRECTORS:

THREE YEAR TERMS
Bob Barns, Dillon
Bob Davis, Helena
Lance Sundberg, Columbus

TWO YEAR TERMS
Russell Sorenson, Three Forks
Ron Larson, Billings

ONE YEAR TERMS
Daryl Ohmstede, Hardin
Norman Mitchell, Florence
Kermit Slater, Miles City

Export sales are up 350,000 pounds over a year ago, which is a dramatic increase. The Middle East is still our largest market, with Kuwait being our best customer. Business in the Far East has been re-established. We have received our first order from Japan and have some good business in the Philippines. In the near future we will be appointing a broker in the European Market and intend to become established in that area before Europe becomes united in 1992.. With the re-establishment in the Far East and renewed efforts in Europe, export sales should continue to rise over the next few years.

Honey bees are valuable indeed. A recent Cornell University study for the National Honey Board estimates every dollar paid for pollination returns at least $60 in additional production. Yields of blueberry, cranberry, almond, alfalfa, and many other crops would not be worth a plug nickel without honey bees to pollinate them, and today's large ranches and farms depend on beekeepers who bring in their bees to bolster crop yeilds.. Roger A. Morse professor of Apiculture at Cornell, said, "When we had small farms, we had enough native bees around to pollinate crops. But it is an altogether different situation with our modern large-scale agriculture and the increased yields it demands."

"We're concerned we aren't going to have bees for pollination," says Derrel Derr, president of the International Apple Institute, a growers group. This problem is a real concern because we have had the introduction of two parasites, 1) Varroa Mite and 2) Tracheal Mite.

MONTANA STATE BEEKEEPERS ASSOCIATION
P.O. Box 861
Zurich, Montana 59547
406-357-3558

Established
1915

OFFICERS:

PRESIDENT
Rob Buhmann, Zurich

VICE PRESIDENT
Ron Barnett, Belgrade
406-388-4582

SECRETARY/TREAS.
Gloria Buhmann, Zurich

DIRECTORS:

THREE YEAR TERMS
Bob Barns, Dillon
Bob Davis, Helena
Lance Sundberg, Columbus

TWO YEAR TERMS
Russell Sorenson, Three Forks
Ron Larson, Billings

ONE YEAR TERMS
Daryl Ohmstede, Hardin
Norman Mitchell, Florence
Kermit Slater, Miles City

In the case of Varroa their is no solution. yet. But for the Tracheal their is a solution.

Change in the way Rob and I must operate is a reality. Change is usually a challenge. The change in controlling these parasites costs and increases operating expenses, but what is new. Rob and I will work to make it a positive happening instead of easily giving into our worries. We simply ask for the buy-back prices to remain the same and at least the support prices remain the same or be increased. To continue to make us a competitve equal with other countries.

Ronald A Barnett

David L. McClure

President, Montana Farm Bureau Federation

My name is Dave McClure. I am here representing the Montana Farm Bureau Federation, a general farm organization with over 3600 member families. I am from Central Montana, near Lewistown, where my family and I have a diversified farm and ranch operation.

First I would like to thank Congressman Ron Marlenee and his staff for having this meeting here in Montana and for this opportunity to present the views of my organization. Since the 1985 farm bill expires with the 1990 crop year, we should get on with the debate about where we go from here and what should be the role of the federal government in agriculture for the 90's.

Farm Bureau supports the direction of the Food Security Act of 1985 (FSA) and are opposed to modifications in the program that would change that direction away from the market-oriented goals of competitive loan rates, voluntary stock reduction programs and income supplement as farmers move toward a market-based agriculture.

Experience with the relatively high guaranteed prices and incentives in the 1981 farm law in the face of declining inflation, slower world economic growth and increased foreign food and fiber competition led to the 1985 farm law with more competitive selling prices, acreage reduction programs to reduce stocks and export subsidy programs to meet the subsidies by the European Community.

The principal goals for the 1985 law -- income protection, stocks reduction, international competitiveness, and reduction in farm program costs -- have been accomplished for major commodities to a large extent, but the job is not complete. In addition, farm income has been maintained through the target price mechanism and various other program provisions.

We are strongly opposed to any type of mandatory production, acreage control or marketing quotas. Programs that require mandatory production or marketing controls will destroy farm exports. Because we export the production from one in every three acres nationally and in excess of 60% of our Montana wheat production, we must remain competitive.

As we consider a new farm bill we support the following:

(1)Annual loan rates for export commodities should be based on a three- to five- year average domestic market price adjusted annually by no more than 10 percent. stock reduction programs should be implemented through voluntary production adjustments when carryover exceeds workable levels. Target prices at levels prescribed in the bill should be used to determine deficiency payments, and such payments should continue as an income supplement during transition to a market-responsive agriculture.

(2)All deficiency payment rates should be determined by using the first five months of the marketing year. Prompt payment should be made following the calculation.

(3)Producers should be allowed to interchange the base acres among program crops, as long as no crop base is increased more than 10 percent and provided the total crop base acres and/or deficiency payments are not increased as a result of the interchange.

(4)Storage payments to producers should be the equivalent of those made to commercial storage warehouses.

(5)Deficiency payments should not be reduced or crop bases adjusted because plantings were less than permitted

(6)The 0-92 program and guaranteed minimum deficiency payments should be made on the full 92 percent.

(7)The underplanting provision to prohibit the planting for harvest of any non-program crops on the "underplanted" acres should be clarified.

(8)Payment limitations under the commodity loan, acreage reduction and disaster programs should be eliminated. If a limitation must apply, to cash deficiency payments, we favor no limit lower than the present $50,000 limitation. Producers eligible to receive payments in excess of $50,000 should receive CCC generic certificates not subject to limitation.

(9)If a payment limitation is in effect, no rules in defining a person should penalize farm operators who ligitimately share labor, equipment and other resources as a normal course of operation. payment limitation information should be modified to require only basic information from farmers.

All commodities are interrelated and any change in supply, demand or price of one affects the others. program crop policies should not be developed at the expense of non-program crops and other commodities.

We oppose the farmer-owned reserve. It should be replaced by loans made available without interest for a nine-month period to wheat and feed grain producers. A nine-month extension should be made available which should include a charge for interest. The Secretary should phase out the farmer-owned grain reserve by using the grain for PIK payments, where feasible

The United States should continue to have an aggressive export development policy. We recommend that the Export Enhancement Program be made available to all countries where the United States faces unfair or subsidized competition from foreign suppliers. This program should continue as long as stocks are in surplus for the various commodities.

Farm Bureau supports the present sugar program to protect the interests of the domestic sugar producers. We are concerned about the recent GATT panel decision regarding U.S. sugar import quotas.

The unfair international conditions that led the U.S. to reinstate its sugar program, including the associated import quotas, still exist and may be even more deeply entrenched today than ever before. Farm Bureau believes as long as these unfair trading practices are perpetuated by other countries it is our governments responsibility represent the interests of the domestic sugar industry in trade negotiations and disputes.

Farm Bureau is firmly committed to finding ways to make our sugar program work within GATT guidelines and still protect our domestic industry until a multilateral agreement to end trade-distorting subsidies is obtained. While the U S sugar program keeps domestic prices above those that are quoted in the world market, the sweetener industry has expressed a willingness to abandon the price support structure if sugar programs are disbanded multilaterally. It has been estimated that, in the absence of the extensive sugar programs employed throughout the world, that the equilibrium world price would be near or greater than the U.S. loan rate of 18 cents per pound.

We are well aware that environmental concerns and food safety will play a role in the next farm bill. While we are convinced that our nations food and fiber is the safest and most reasonably priced in the world, we must re-establish the trust of the American public in our ability to use and regulate chemicals. Our commercial plant nutrients growth regulators and pesticides are tools to provide this cheap supply of safe, nutritious food. We support increased efforts through biotechnology to increase the marketability of our products, to solve environmental concerns, to increase net farm income by decreasing input costs and to improve quality.

We urge state and national political leaders to develop a positive national strategy for the further development of biotechnology research and development. We believe that our competitive advantage in world markets will be maintained only by the continued support and encouragement of technological advancements.

Again, thank you for this opportunity and allow me to pledge our support towards improving net farm income and enhancing the economic opportunity for farmers.

David L. McClure

(Attachments follow:)

STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION TO THE HOUSE AGRICULTURE SUBCOMMITTEE ON COTTON, RICE AND SUGAR WITH REGARD TO U.S. SUGAR POLICY

The American Farm Bureau Federation (AFBF) is pleased to present the Subcommitte with our views regarding the U.S. sugar program. We have been strong supporters of the current program. We believe the program is necessary to assure domestic sugar producers the opportunity to supply sugar to the consuming public without the unfair competition that is characteristic of the global sugar market. U.S. farmers are efficient producers of sugar and can supply a quality product. We believe that in the absence of a program similar to the one now in place we would sacrifice much of this productive capability to foreign producers whose relative advantage results from highly subsidized government programs rather than production efficiency.

Philosophically, AFBF is generally supportive of agricultural policy that relies primarily on market signals rather than on government programs that provide price and income support or supply management. The reality of the conditions that prevail in the world market for sugar, have brought us to our current policy position in support of the sugar program despite its reliance on established price support levels and controlled access to our market. A program of this type is necessary for our producers to remain economically viable because of competition from foreign nations resulting from programs and policies that include exclusive supply arrangements, dumping of excess production, artificial production incentives and subsidized exports. Many of the worst violations are practiced by the European Community, which has shifted from being a net sugar importer of 1.5 million tons to being the free world's largest exporter shipping as much as 5.6 million tons annually.

In a world market that is extremely distorted and chaotic, U.S. producers need a program that insulates them from the many egregious sugar production and trade policies practiced by many competitors. Our members expressed this belief in adopting the following policy:

> We support a program to protect the interests of domestic sugar producers and recommend that any appropriate legislation should include a sugar title with provisions similar to the present program.

The revision of Farm Bureau policy occurs annually and some modification of the above policy statement could occur.We expect that our support for continuation of the current form of the sugar program will be maintained as we enter the debate on the 1990 farm bill. Our sugar producers have been and will continue to be particularly opposed to efforts to impose acreage and production controls, or quotas or the creation of a government managed sugar reserve program.

Events within the context of our involvement in the General Agreement on Tariffs and Trade (GATT), however, could require that our domestic policy be adjusted in some way. This may be necessary either as the result of progress in the Uruguay Round of trade negotiations or in response to the recent GATT panel ruling on Australia's complaint regarding U.S. sugar import restrictions.

AFBF has supported the original position tabled by the U.S. in the multilateral trade negotiations calling for an elimination of trade distorting subsidies in agriculture. Many other organizations representing sugar producers have also supported this initial position. We believe that in the absence of the subsidies and trade-distorting arrangements, U.S. producers would be able to efficiently compete with other suppliers of sugar without the protection of a domestic program. If an agreement to phase-out of these practices could be achieved in the negotiations we would support it. We must recognize that in addition to an agreement on the ultimate objective there must also be an equitable and fair method of making the transition to an unencumbered world market. We could not agree to a system under which otherwise efficient producers are forced out of production because of advantageous treatment granted to some nations in the transitional phase.

With respect to the GATT panel finding on sugar, it is difficult to predict what program modifications, if any, will be required of the U.S. We do not believe that it would be appropriate to suggest drastic and far reaching changes to our program at this time. We need to monitor the negotiations to determine what may be required of the U.S. in the process before we determine how to go about complying with our obligations under the GATT. Let us keep in mind, however, that no immediate action is required and there is ample opportunity to carefully consider any potential changes to the program before adopting them in legislation. AFBF expects to be involved in that process as circumstances move us toward a resolution of this issue.

In summary, AFBF supports continuation of the current sugar program. We believe that it has helped to protect U.S. producers against the unfair trade practices that are rampant within the world sugar trade. We could support changes to the program if required under the GATT as a result of the recent panel finding, only if they do not unilaterally remove support for the domestic sugar producers. We will work to assure that the program will continue to provide our producers with protection from the trade practices that disrupt the world market for sugar. In addition, we believe sugar producers and indeed all of agriculture would benefit if the Uruguay Round were to result in a multilateral commitment to eliminate trade distorting subsidies and barriers to agricultural trade.

AMERICAN FARM BUREAU FEDERATION
225 TOUHY AVENUE • PARK RIDGE • ILLINOIS • 60068 • (312) 399-5700
600 MARYLAND AVENUE S.W. • SUITE 800 • WASHINGTON, D.C. • 20024 • (202) 484-2222

May 30, 1989

The Honorable Carla Hills
U.S. Trade Representative
600 17th Street, NW
Room 209, Winder Building
Washington, DC 20506

Dear Ambassador Hills:

It has been widely reported in recent days that a GATT panel reviewing Australia's complaint against U.S. sugar import quotas has reached a decision in favor of Australia.

We know that the issue is not a simple one, involving fairly technical aspects of both the GATT and U.S. tariff law. Without the text of the panel's report, it is impossible for us to comment on the legal aspects of the case. However, we would like to raise several points which we hope the administration will keep in mind as it pursues its defense of the interests of domestic sugar producers.

We firmly believe that the Australian action, as well as our own sugar policy, were really taken in response to the sugar policies of the European Community (EC). Certainly our policies in recent years have been heavily influenced by the subsidy programs of the EC.

On December 31, 1974, the United States ended 40 years of production controls, price supports and restrictive import controls on sugar. The abandonment of price supports lasted just three years, the abandonment of restrictive import controls until 1982. Among the events in the interim that forced the United States to resurrect support programs and restrictive import controls, one of the most important was the growing influence of the EC in world sugar markets.

From 1975 to 1981:

- the EC increased production from 10.1 million metric tons to 15.7 million tons;
- the EC reduced imports from 3.5 million tons to 1.9 million tons;
- the EC increased exports from 2.0 million tons to 5.6 million tons;
- the EC refused to join the International Sugar Agreement in 1977, because the agreement would have limited the EC's future export growth; and

- the world price fell, from over 20 cents per pound to, at times, well below 10 cents per pound (and well below the cost of production of even the most efficient producing country).

By the end of 1981, the EC had shifted from being a net sugar importer of 1.5 million tons to being the Free-World's largest exporter, to the tune of 5.6 million tons. To put this in perspective, the 5.6 million tons of sugar exported by the EC in 1981 exceeded the total quantity of sugar produced in the United States that year. All of this was accomplished through a system of restrictive variable import levies, high domestic subsidies, and export subsidies pegged at whatever level was required to move surpluses onto the world market.

Faced with this market situation, the United States reintroduced import controls in 1982. What has happened to the sugar market in subsequent years can be attributed, in no small part, to the distorted sugar policies implemented by the EC over a decade ago. Today, the EC claims it has things under control. But their sugar industry, built up over the years with aggressive subsidies, is still the largest overproducer in the world. Few people outside the EC believe that EC export subsidies have been eliminated. Each year, the program racks up substantial budgetary deficits, and those deficits have the same effect as an export subsidy.

It is disturbing to those of us in agriculture to hear criticisms of the U.S. sugar program from within our own government in light of the historical facts, in light of the strong support agriculture has given the U.S. negotiating position in the Uruguay Round, and in light of the stated willingness of the domestic industry to accept a return to the type of unrestricted sugar regime of the late 1970s, if the EC and others would commit to take equivalent actions.

We continue to believe that the solution to problems in world farm trade lies in a multilateral agreement to end trade-distorting subsidies. We hope to be able to work closely with you toward that objective and in the defense of the U.S. sugar program in GATT in the coming months.

Sincerely,

Dean Kleckner

Dean R. Kleckner
President

DRK/jb